

Literature Review of Socioeconomic Trends Affecting Consumers and Housing Markets

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Draft Final Report

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1.0 Introduction

The purpose of the report is to review and consolidate existing research regarding the impact of socio-economic trends on consumers and housing markets, discuss current thinking, identify research gaps, and prioritize future research. The report outlines the recent and future aspects of various trends, drawing on the major findings in Australia, New Zealand, United Kingdom, and United States where appropriate. A discussion of the regional and sub-market variations within Canada of the various issues and trends is provided, and the report identifies research priorities in Canada. The report also contains a full annotated bibliography of all sources consulted.

1.1 Methodology

A literature review served as the exclusive means of gathering information about the trends and issues affecting housing and consumer markets. Literature originating from a range of sources including the academic environment, professional organizations, private consultants, the building industry, and third sector organizations was reviewed. The literature also represents work from a variety of disciplines ranging from economics, to demography and sociology, the health care field, social policy field, geography, the physical sciences (engineering), and other related areas.

The methodology included three primary activities:

- identification of keywords for searches;
- identification of key organizations as sources of information; and
- identification of appropriate databases and website for searches.

Keywords were used to search for relevant information from such sources as federal and provincial organizations, research groups and institutes, web-sites, journals and databases.

Key Organizations

A list of search sources includes key organizations such as the Canada Mortgage and Housing Corporation (CMHC), Canadian Council on Social Development (CCSD), Intergovernmental Committee on Urban and Regional Research (ICURR), Canadian Home Builders' Association (CHBA), Federation of Canadian Municipalities (FCM), provincial Home Builders' Associations and provincial departments of housing and municipal affairs, and the Canadian Urban Institute.

Selected publications by Canadian research centres such as the Centre for Urban and Community Studies (University of Toronto); Institute of Urban Studies (University of Winnipeg); Rural and Small Town Programme (Mount Allison University); and McGill University School of Architecture Affordable Homes Program were reviewed. From the United States we reviewed materials from Harvard University's Joint Center for Housing Studies, and from Australia, we examined materials from the Australian Housing and Urban Research Institute (AHURI).

Databases and Websites

Databases such as ProQuest, Carl Uncover, Social Science Index, Ebscohost and Project Muse were used to trace relevant articles published within the last decade. Among scholarly and professional journals covered were: **Housing Studies, Journal of American Planners Association, Journal of Urban Economics, Housing Policy Debate, Canadian Geographer, and Social Science Research.**

Several key web-sites were instrumental in providing information on current housing research. They include:

- American Planning Association www.planning.org
- Australian Housing and Urban Research Institute <http://www.ahuri.edu.au>
- Australian Institute of Health and Welfare www.aihu.gov.au
- CMHC Current Housing Research Database www.cmhc-schl.gc.ca
- Canadian Council on Social Development www.ccsd.ca
- Canadian Housing and Renewal Association www.chra-achru.ca
- Canadian Social Research Links www.canadiansocialresearch.net
- Canadian Urban Institute www.canurb.com
- Clayton Research www.clayton-research.com
- Fannie Mae Foundation - Housing Policy Debate www.fanniemaefoundation.org/programs/hpd.shtml
- Federation of Canadian Municipalities www.fcm.ca
- Housing Again housingagain.web.net
- Housing New Canadians: University of Toronto/York Partnership www.hnc.utoronto.ca
- Housing New Zealand webnz.com/hnz/default.htm
- Housing United Kingdom Resource Guide housinguk.org
- Joint Center for Housing Studies www.jchs.harvard.edu/Research%20Page/SON%20intro%20page.html
- Metropolis: Research on Immigration and Integration in the Metropolis (RIIM) www.riim.metropolis.net
- Saskatchewan Housing Corporation www.municipal.gov.sk.ca/housing/index.shtml
- Smart Growth Online www.smartgrowth.org/Default.asp?res=1024
- Social Planning Council of Winnipeg www.spcw.mb.ca
- Statistics Canada www.statcan.ca
- The Land Centre www.landcentre.ca/index.cfm
- Yukon Housing Corporation www.housing.yh.ca

1.2 Defining Regions and Sub-Markets

Canada has many distinct geographic and socio-economic subgroups within the country. There are many approaches to looking at regional variation (such as Atlantic, Québec, Ontario, Prairies, British Columbia, and the North) or variation across housing sub-markets defined in other ways. There is no single, pre-existing typology which provides a simple framework for discussing and analyzing the complexity of housing variation across this country. Since different housing issues

affect different types of communities (e.g., urban compared with rural, large communities compared with small communities, etc.) it is important to develop or use a framework for examining and assessing socio-economic trends which affect housing and consumer markets to provide a means to determine the most important future research questions. Our approach to analyzing the various issues and trends within the literature was to develop a series of housing sub-markets in the following manner:

- **High growth metropolitan centres.** This sub-market generally includes many of the Census Metropolitan Areas (CMA) of more than 100,000 population in Canada (e.g., Toronto, Vancouver, Calgary, Ottawa-Hull, and Victoria). Many of the CMAs experience high rates of population growth compared to other smaller urban centres. These communities have a reasonably robust economy, and generally tend to be a destination for new migrants (both international and domestic). This sub-market also includes the more dynamic larger Census Agglomerations (CA) of more than 10,000 population (e.g., Moncton, Barrie, and Brandon), where higher rates of population growth are more prevalent.
- **Slow growth metropolitan centres.** The communities in this sub-market generally have slower population growth rates and fluctuating economies. These include the CMA and CA urban communities experiencing slower population growth, such as many of the Atlantic Canada (Saint John), Quebec (Chicoutimi-Jonquiere), and Prairie (Moose Jaw) urban centres, as well as some in Ontario (Sault Ste. Marie) and British Columbia (Prince George) outside of the major growth centres. Some of the communities in this category would be retirement communities as well.
- **Small town Canada.** While there is significant variation within this category (especially when comparing small towns close to large urban centres with those located much farther away), this housing sub-market includes most of the urban centres of more than 1,000 and less than 10,000 population. It does not include small towns which are located in remote parts of provinces, or small towns in the North. Generally speaking small towns have slow or negative population growth, youth out-migration, an older population and decaying infrastructure.
- **Rural communities.** This sub-market includes the unincorporated places plus the incorporated centres of less than 1,000 population. Again, there is significant variation within this category (e.g., there are differences between communities located reasonably close to large urban centres and those which are much further away). These communities are characterized by youth out-migration, a lack of land use planning, many land use conflicts, housing markets with limited or no demand, and other demographic and economic challenges such as population loss and closure of businesses and associated job losses that reduce the demand for housing.

- **The North.** This sub-market covers the three northern territories and the northern parts of most provinces (i.e., Labrador, northern Quebec, parts of northern Ontario, northern Prairies, and northern British Columbia). Generally speaking there are infrastructure and housing construction challenges associated with building in a cold climate. While population centres are few, dispersed, and small, the fastest growing population in Canada can be found in many northern communities: the Aboriginal population.

We recognize that this approach has its limitations:

- Within any of the above categories, there is still some variation. For example, both Vancouver and Toronto are high growth centres, but there are potentially different issues associated with economic structure, climate, land use patterns, ethnic mix, and many other variables which are directly and indirectly related to social and economic trends affecting housing and consumer markets.
- From category to category there may be some overlap in both some of the variables or indicators, as well as some of the impacts on housing and consumer markets. For example, slow growth metropolitan centres generally do not attract many international or intra- or inter-provincial migrants, and neither do rural communities and small towns. This is one factor that limits investment in new rental housing in both types of places. But looking at the collective mix of trends and the resulting impacts on housing for these three different types of markets, one would find enough differences to warrant this typology.
- We have not provided a full listing of all possible variables or indicators used to describe or characterize each category or sub-market. This would not be particularly useful because one could debate the mix of variables and indicators and the relative weight or importance of each. For convenience purposes, we work with the notion that there are, for example, high growth metropolitan centres, characterized primarily by rapid population increases and reasonably robust economies, and this is enough of a difference when compared to slow growth metropolitan centres, characterized primarily by low levels of population increase and much less robust economies to result in different kinds of impacts on housing.
- We have not provided a full listing of all possible communities which constitute each category or sub-market. This would not be possible because we have not developed a detailed method for “calculating” where each possible community would be placed, based on a mix of variables and indicators and the relative weight or importance of each. We have provided some illustrative examples. Communities themselves can self-identify which type of housing sub-market best reflects their socio-economic situation. Likewise, readers can identify communities which generally fit one or another category based on their knowledge of communities. The point is that there are different types of communities, and it is important to understand what the differences are in terms of trends which affect housing.

The typology is an important analytical tool. After we provide a review of the trends and issues from the literature, we use the typology to analyze any differences among these trends and issues

within Canada in terms of how they affect different types of communities in different ways. Understanding the trends and issues within this context helps to inform the assessment of and discussion about future research priorities. For example, trends and issues which affect many different types of sub-markets are likely to be of greater importance in terms of developing future research questions to better understand the housing outcomes they produce. At the same time, we recognize that some of the issues and trends may in fact be the same in two or more categories, but the extent to which they affect different sub-markets may be more a matter of degree or magnitude. There will be some commonalities from one sub-market to the next, but taken as a whole, there are enough differences to warrant at least these five different sub-markets.

1.3 Priorities for Further Research

Setting the agenda for future research priorities is critical to ensuring the most accurate and relevant information is available for policy development and action planning. Given the multitude of issues and trends which affect housing and consumer markets, the varying perspectives brought to bear by different stakeholders, the sub-market differences, and research budget/resource limitations there will be competing research priorities.

Our approach to developing the list of research priorities includes the following:

- A review of the existing knowledge on specific trends and issues. For which items do we continue to require ongoing information, especially as it relates to anticipated changes? What are the topics for which we have little or no information? Which trends are most important in Canada?
- A review of recommended “further research” from the literature. What ideas do researchers and others have about the most pressing needs for further research?
- A review of common and dissimilar issues and trends across the different sub-markets. Which research outcomes will have applicability in more than one sub-market? Which topics require specific or focused research?
- A synthesis of this information, including an assessment of gaps that appear in the research on issues and trends. This broad analytical approach to examining the most important trends leads to the identification of priority areas for research.

After completing these steps, we then use the following principles to develop a list of priorities for future research:

- the importance the issue or trend is given in the literature, particularly as a driver of (the) housing market(s);

- the potential of the issue or trend to influence a number of sub-markets and geographical regions;
- the gaps in research on the issue or trend that are apparent;
- the potential to actually carry out a research project on the priority issue (i.e., the topic can actually be researched and is not so general or esoteric in nature; the data exists or is possible to collect; it is financially feasible to carry out the research, etc.);
- the potential for having a major impact in terms of new knowledge creation or developing new avenues of inquiry and investigation; and
- the potential to have an impact on or influence public policy.

The report now turns to a discussion of the major trends affecting housing and consumer markets. This is followed by a discussion of the regional and sub-market differences, and international perspectives on the trends and issues. The report concludes with an assessment and discussion of the priority topics for future research.

2.0 Trends Affecting Consumers and Housing Markets

2.1 Macroeconomic Factors

A number of macroeconomic factors such as interest rates, taxation and changes in labour markets have affected and continue to profoundly influence the housing industry and consumers. Research on macroeconomic factors affecting consumers and housing markets in Canada indicates that during the first 25 years of the post-war era, new housing construction tended to be counter-cyclical, moving in the opposite direction to the economy at large. This was an era when governments set interest rates and concentrated on credit programs to promote new housing starts as a way of stimulating a sluggish economy. Over the past 15 years, the pattern has reversed. Starts and completions reflect economic swings now that mortgage markets are integrated with capital markets and are subject to the same forces that affect other sectors of the economy (CMHC, 1995b).

Interest rates have an indisputable effect on housing sales and new housing construction. For example, the Canadian Real Estate Association linked mortgage rates, which rose steadily throughout most of 1994, to lower housing starts and resale activity during this period (Angus Reid Group, 1995). New home construction, which represents close to half of total residential construction spending, is highly sensitive to economic conditions, and its growth during cyclical upturns is important in helping the economy regain momentum (Hirshhorn, 2000). In the last few years (2000-2002) record low interest rates set to counter the most recent economic downturn have contributed to robust housing activity in North American markets while other economic indicators such as industrial activity showed signs of decline. Research evaluating the effects of housing stimuli during the last decade should be undertaken in order to inform more effective actions today and set future research agendas (Hirshhorn, 2000).

An overview of housing activity and indicators concerning the performance of the Canadian housing industry show that new home builders and renovators work in an extremely competitive environment: margins have been under pressure due to government charges and taxes, and regulations (CHBA, 2001a). A number of studies have shown that the restrictive government budgets in the 1990s – fiscal restraint at all levels of government – threatened to increase already heavy industry costs (Lampert, 1998; CHBA, 1992).

Housing industry advocates argue (CHBA, 2001b) that the taxation system, and in particular the increase in federal sales taxes on new homes resulting from the introduction of the GST, directly affects the affordability of homeownership and the viability of rental housing construction in every community in Canada. The additional 2-3 percent in federal sales taxes results in an extra cost of \$3,000-\$4,500 when buying a \$150,000 home. The Canadian Home Builder's Association (CHBA) asserts that there is strong evidence of a link between the introduction of the GST and a rise in underground residential renovation activity. As with new housing, the federal sales taxes collected on renovation increased significantly when the GST was introduced. According to CHBA (2001b) estimates, however, over half of repairs and 44 percent of

alterations and improvements in the province of Ontario were carried out by underground workers.

Changes in income tax treatment have also hit the rental housing sector. Since the early 1970s these changes have significantly reduced the attractiveness of rental investment. Rental starts in Canadian centres with populations of 10,000 or more have dropped from 50,000 units in 1987 to just 14,000 units in 2001 (CHBA, 2001b).

According to the Angus Reid Group (1995), there remain significant challenges on the housing agenda. While overall homeownership affordability has improved over the past decade due to lower interest rates and relatively stable house prices, pessimism about the job market, slow income growth and, in some Canadian markets such as the Atlantic region, concern over steadily declining personal disposable income and shrinking personal savings (MacDonald, 1998), delay purchasing plans for Canadians. Availability, and security, of employment have for many years been major “top-of-mind” issues for Canadians of all ages.

Changes in employment greatly influence overall housing trends and shape changes in housing demand in particular Canadian regions (see CHBA, 2001 and MacDonald, 1998). During the period from the early 1980s to 2000 Canada’s regions experienced differing patterns of economic growth, and consequently, varied levels of employment and population in (or out) migration and different rates of household formation. In the late 1980s, people tended to migrate to regions with strong job markets such as Ontario and B.C. More recently (mid-1990s) another strong wave of in-migration has affected housing markets in Alberta and Ontario, where housing starts have increased significantly. According to the Canadian Home Builder’s Association (2001), slower growth regions, particularly Québec and Atlantic Canada, experience steady outflows of population as people seek job opportunities elsewhere. There has been strong employment growth in Canada since 1994, with the exception of a minor slowdown in 2001.

2.2 Demographic Changes

Although there are clearly documented demographic trends in Canada that can be considered national in scope, Canadian demographics also illustrates significant regional and in some cases ethnic differences. The following discussion will focus first on trends that characterize the population on a national basis and then highlight some of the other major differences.

Nationally, population growth is slowing and rates are projected to continue to decline over the next couple of decades (Statistics Canada, 2001). Fertility rates have been decreasing over the last four decades and although the current decline is very modest there is no evidence to suggest the trend will be reversed in the immediate future. Death rates continue to be low (although rising because of the aging population) and life expectancy is increasing (Statistics Canada, 2001). Current fertility rates are below replacement levels. Population growth in Canada would be very much lower were it not for continued international migration to Canada (Statistics Canada, 2001;

CMHC, 1996). Expanding on future growth scenarios, McVey and Kalbach (1995) note the link between an aging population and low but relatively stable fertility rates which will be mitigating factors of future growth. The level of immigration will be the key to future population increases.

Nationally one of the most significant trends is undoubtedly the aging of the population and the increasing number of seniors (CMHC, 1989, 1996; Statistics Canada, 2001). By the middle of the 21st century more than a quarter of the population will be 65 years or older compared to the current 12 percent (Statistics Canada, 1996). The aging of society is encouraging the industry to:

- develop new designs to accommodate changing physical needs, yet promote independence;
- develop new financing and tenure options for empty nesters and retirees; and
- develop new financing programs so seniors can modify their existing homes and cover operating costs as their incomes decline with retirement (equity conversion mortgages).

A growing percentage of the senior population are expected to “age in place” in their own homes and to live alone (Department of the Environment, 1995; CMHC, 1989). These aging trends will require more customization of house designs to support features such as emergency response systems, sight and hearing supports, supports for the delivery of home care services. Accessory apartments or granny flats so seniors can live in an extended family situation will become more common (Carter Research Associates, 1995, 1999). However, because of the increased mobility of the population it is likely that seniors will have fewer family members nearby to provide care, increasing the need for more home support services.

Other demographic trends of importance include:

- shrinking household size. The average number of persons per private household has fallen from 3.9 in 1971 to 2.6 in 2001 (Statistics Canada, 1961 and 2001, Analysis Series). Although future declines will be modest, a decline in the household size does generate more individual households and keeps demand for housing higher, even with modest population growth, than would have been the case had household size not declined;
- the number of private households is still growing faster than the population living in them. Between 1996 and 2001, private households increased 6.9 percent, while the number of people living in them rose 4.0 percent;
- non-family households (people living alone or with other unrelated individuals) have grown and will continue to grow more rapidly than family households. In the period 1961 to 2001 non-family households increased from 13 percent to 28 percent of total households, growing in absolute terms from 605,801 to 3,191,955 households (Statistics Canada, 1961 and 2001, Analysis Series). This trend is associated with the aging of the population (seniors living alone) and people marrying or partnering later, or not at all, and more young people leaving the parental home and living on their own;
- an increasing number of single person households. The proportion of single person households has increased from 9 percent of all households in 1961 to just over 25 percent in 2001 (Statistics Canada, 1961 and 2001, Analysis Series);

- in 2001 married or common-law couples with children aged 24 and under living at home represented only 44 percent of all families in Canada. In 1991, they accounted for 49 percent and in 1981 they represented 55 percent;
- at the same time, couples with no children living at home accounted for 41 percent of all families in 2001, up from 38 percent in 1991 and 34 percent in 1981;
- lone-parent families represented 16 percent of all families in Canada in 2001, up from 12 percent in 1991 and 10 percent in 1981;
- continued high levels of separation and divorce will mean an increasing number and proportion of single parent families;
- a total of 34,200 same sex couples were counted in Canada in 2001, 0.5 percent of all couples (2001 Analysis Series);
- overall there will be stronger growth in non-traditional households such as childless couples, elderly couples, same sex couples, young singles and elderly singles. There will be only modest growth in the traditional family of husband, wife and children; and,
- growth in the empty nester (55-64) and 65 plus population will be 67 percent and 97 percent significant from now to 2016. Growth in the first-time buyer age group (25-34) however will be much more modest, just over 5 percent during the same time frame (Statistics Canada, Population Projections Medium Growth Projections based on 2000 population estimates).

These additional trends will have significant effects on housing markets. The growing number of single person households, including single seniors, increases the potential demand for affordable rental units. Family break-up and the growing number of single-parent, generally female-led, families also increases potential demand for affordable rental housing as low income is generally a characteristic of this group (Statistics Canada, 2001; CMHC, 1989, 1992, 1996 and 2001; Hosios and Fallis, 1995). To this point, however, this demand has not translated into significant new rental housing starts, in part because the low income of many of these individuals will not support rents that generate an adequate return on investment in the private sector. Instead, increased demand has been largely met through other sources of supply, such as conversions from non-residential to residential and through the development of secondary suites in single detached dwellings.

With increasing numbers of smaller, often non-traditional households, new designs and a different mix of tenure options will become more common. Tenure options can include condominiums (whereby residents have title to their individual units, non-exclusive rights to the common elements, and membership in the condo corporation which controls all decisions related to the development), and co-housing (where residents own or rent their individual units which are clustered around a common area with shared amenities such as swimming pools, exercise rooms, and outdoor gardens) (Canadian Cohousing Network website, 2001) and life leases. Life leases are defined as units to which a person has occupancy rights for the duration of their life. Residents of life lease projects pay an entrance fee (which can be up to the purchase price of the unit) and monthly occupancy fees which increase or decrease depending on the amount of the entrance fee. Life lease projects generally do not allow residents to accumulate any additional

equity in the project and when the lease is terminated, residents receive only the entrance fee back (generally without interest). Ownership of the unit remains with the sponsoring agency with residents entering into a life-long lease agreement. In some cases the life lease arrangement may permit some accumulation of equity. When the lease is terminated, the lease holder gets their entrance fee plus appreciation amounting to increases in market value in the project or a share of this appreciation, depending on the formula agreed to in the initial lease agreement.

Ownership rates are likely to remain high because many aging empty nesters and seniors, particularly couples, are likely to opt for tenure options that incorporate an equity/ownership component. This could include condominiums and life lease arrangements. They will likely more often be in life-style retirement projects, particularly gated communities or projects associated with other leisure and recreational life-styles (Golby, 1999; Hesse, 2001). Demographic trends suggest only nominal growth in the first time buyer age group. This will mean continued, but modest, demand for starter homes. The demand for new units may be quite limited because move-up buyers will be placing their starter homes on the market and some first time buyers are likely to opt for the purchase of an existing unit. Demand for well appointed homes will continue and be driven by the move-up buyer.

The continued high level of international migration to Canada is increasing the already culturally diverse nature of the Canadian population. The diversity of the immigrant population has been increasing significantly. Prior to 1961, 90 percent of the immigrant population had originated from the United Kingdom or European countries. In the period 1991 to 1996, only 19 percent originated from this region, while approximately 65 percent originated in various countries in Africa or Asia, and others came from Central and South America and the Caribbean (Statistics Canada, 1996, Nation Series). The immigrant effect on housing demand in general and on the demand for different home designs and housing options, will continue to be a factor in the market place, particularly in the high growth urban centres (Statistics Canada, 2001). Melzer (2000) noted that 74 percent of most-recent immigrants (those arriving in the 1991-1996 period) reside in one of Toronto, Montreal, or Vancouver. About 39 percent of all most-recent immigrants are more likely to find themselves in core housing need. In addition, most-recent immigrants are typically renters (70 percent). Over time, immigrants are likely to become homeowners and be in housing conditions and circumstances similar to that of the general population. For example, 76 percent of immigrants who arrived prior to 1976 are homeowners.

Intraprovincial and interprovincial migration trends - other important aspects of population change - exhibit significant regional differences. Migration tends to be selective in terms of origins and destinations, as well as being age specific. These trends create housing surpluses in some areas and raise demand in others. Migration destinations have been, and for the foreseeable future are likely to continue to be, the major metropolitan centres, particularly in Alberta, British Columbia, and Ontario. Migrants come from other provinces but the vast majority of international migrants also gravitate to major metropolitan centres, adding to the regional shifts that are occurring. In addition to this regional shift, there is an on-going rural to urban shift as the agricultural and other resource-based sectors decline relative to other sectors of the economy.

Most rural areas and small towns (with the exception of those on the fringes of high growth urban centres) continue to decline and generally the younger age groups (both families and singles) make up the majority of people leaving. In addition to these general migratory patterns of younger people, seniors are moving in significant numbers to retirement centres, often those in the warmer, more coastal parts of the country.

These migratory patterns will generate more overall demand in destination areas and will also generate demand for different types of housing: rental for young singles, single family homes for young families and various retirement homes and other housing types for the elderly. This growth is reflected in housing markets by the level of housing starts and sales of existing homes. This growth, however, has been very urban focused and the markets much more buoyant in the major urban centres in the destination areas.

Rural areas and particularly small centres in the Prairie region, the North and the Maritimes have experienced significant population loss during the 1996-2001 census period, which has resulted in deteriorating housing market conditions in many centres in these provinces. The Yukon, the Northwest Territories, Newfoundland, New Brunswick, Nova Scotia and Saskatchewan all experienced population losses during the 1996 to 2001 Census period and growth was negligible in Manitoba and Prince Edward Island (Statistics Canada, 2001). Many of the declining communities in these provinces are experiencing reduced investment in housing and will continue to be characterized by low house values, vacancies and abandonment. Investment in rental housing is particularly sensitive to population decline and these centres often face a shortage of adequate, affordable rental accommodation for people remaining in smaller communities. Units in these communities that may be sitting vacant or abandoned are often older and in poor condition and not always the type of units suitable for the characteristics of households requiring housing.

The demographic characteristics of the Aboriginal population also stand out as distinctly different. As the majority of the Aboriginal population lives in the West and the North these differences have regional significance. Higher fertility rates (birth rates are double the national average) and a much younger population profile result in much higher rates of population growth and household formation. These trends will be maintained well into this century. Higher rates of household formation, when combined with the relatively low incomes of Aboriginal households, will dictate a need for more affordable family housing (Norris, et al., 1996; Kerr, et al., 1996; CMHC, 2001; Social Planning Council of Winnipeg, 2001).

Analysis based on the 1986-1991 Census period indicates there is some inter-provincial migration of the Aboriginal population, generally representing shifts between the far north, mid north and southern regions of Canada but the most common movement is related to off-reserve Aboriginals moving from one off-reserve community to other, generally larger urban centres. (CMHC, 1996). Large urban centres are experiencing net gains as a result of migration, while modest net losses have been recorded off reserves in smaller urban centres and rural areas. Reserves gained population through some reverse (urban to reserve) migration and from natural

increases, but the largest component of the on-reserve increase is attributed to the return migration of individuals who obtained Indian Status under the 1985 amendment to the Indian Act (Bill C-31). Data also suggest that females, younger families and lone parent families are over-represented among Aboriginal migrants from rural and on-reserve communities.

Work on the 1991-1996 Census period (Norris and Beaven, 2000) identifies similar trends. Although they characterize the Aboriginal population as relatively stable and identify the same limited movement back to the reserves they suggest that housing pressures and a shortage of job opportunities and services on-reserve, combined with growth of the working-age population and educational and training requirements, may increase pressures to migrate from reserves. This may be counterbalanced by difficulty obtaining suitable housing and continued high unemployment rates in urban communities. Norris and Beaven (2000) and Clatworthy (2000) both refer to “high churn” of Aboriginal people in cities. The Aboriginal population is in a high state of flux related to upheaval and break-up of families, difficulties related to accessing adequate and affordable housing and high unemployment rates.

Overall, Canada’s population is expected to illustrate modest rates of growth, with the most significant growth concentrated in major urban centres in British Columbia, Alberta, Ontario and Quebec. Most of the increase in numbers will be attributed to migration from a variety of international locations which will also increase the diversity of the population. The population will continue to age, although the Aboriginal population will stand out as distinctly different in this respect, reflecting a much younger profile. The overall trends suggest a modest but continuing demand for housing with disinvestment in rural areas and smaller communities in most provinces and more substantive investment in major urban centres. Aging, the diversity generated by migrants, and the growth in what has been characterized as non-traditional households will strengthen the already prevalent trend towards new tenure and design options. Many of these same characteristics, as well as the growth of the Aboriginal population, will also generate a need for more affordable housing options.

2.3 Labour Force Changes

Canada's labour market has undergone major changes in recent decades experiencing significant shifts in the type of work performed, rates of pay and job security. These changes have influenced housing markets and housing affordability, as well as housing design, tenure and finance options.

Carter Research Associates (1999) state that over the past several decades, the declining importance of manufacturing and resource-based industries has resulted in an overall reduction of employment opportunities in the semi-skilled and blue-collar sectors. New employment growth, however, has occurred in service industries and "new economy" activities such as information technology, and research and development. Some of these new jobs are professional and highly skilled with attractive salaries and benefits, others are lower paying (often minimum

wage or slightly above) and may be part time or contractual in nature – jobs in the fast food industry for example. In fact, in recent years, secure employment and income opportunities have declined for many in society and work has become more non-standard (Statistics Canada, 2001; Yencken and Porter, 2001; CMHC, 2001). Non-standard work refers to casual, part-time, short-term, contractual, seasonal and self-employed work. Labour force trends have created a divided market situation based on good jobs, bad jobs (Yencken and Porter, 2001). This divided market situation is increasing the income gap between high-end and low-end jobs (the "hour glass" society).

The effects on consumer and housing trends are significant. For example, professionals in "new economy" positions are more likely to purchase high-end homes and although the traditional single-detached homes are often their first choice, many are seeking options such as loft condos and apartments in the inner city where many new economy jobs are located. This trend is helping to revitalize inner city residential areas and breathing new life into downtowns. Work by Richard Florida (Florida, 2000a; Florida, 2000b; Florida and Gates, 2001) in the United States focusing on "knowledge workers" illustrates that these workers are not only interested in certain types of housing in certain areas of the city, but they are also very much influenced in their location decision by the characteristics of cities. They value cultural diversity, certain lifestyle amenities, and various environmental characteristics. If this is true of "knowledge workers" in Canada it suggests that not only will they affect the location and demand for housing in particular cities, but they will also generate higher demand in certain cities.

On the other hand, those people at the other end of the job market (part time, no benefits, and lower wages) have difficulty accessing adequate and affordable housing. For example, CMHC (1994) illustrated that those who are unemployed, part-time workers or dependent on government transfer payments are more likely to be in core housing need. Core housing need refers to households which are unable to afford shelter that meets adequacy, suitability, and affordability norms without expending 30 percent or more of a household's gross income (CMHC website, 2001).

Another factor related to job instability is the emerging gap between the technological have and have-nots of the Echo generation [born 1980-1997] (Gibbins et al., 2001). Those living in households that can afford computers and high speed connections to the Internet will have a distinct advantage over those households that are unable to afford them. This will lead to employment and income instability for a large proportion of young people who have been technologically disadvantaged (CMHC, 1996).

Participation rates, another important characteristic of the labour force, have also been changing. Statistics Canada data reveals that the participation rate of men is decreasing slightly (Statistics Canada, 2001). However, the participation rate among women is increasing as more women are postponing or foregoing marriage and childbirth, in addition to having fewer children. Women are entering the workforce in greater numbers and spending more years in the workforce. In addition, more women are self-employed than in previous years, an outcome related to higher

levels of educational attainment (Statistics Canada, 2001). This has had a positive effect on housing markets, as the number of two income households grows and these households have more combined income to address housing needs. This has increased the demand for housing and improved the housing conditions of many households. This will depend, however, on where these two earner households are positioned in the labour market: in the higher paying skilled and professional positions; or in the lower paying unskilled service sector.

In addition to the increasing polarization of labour markets there is also evidence to suggest that there is a lack of skilled labour in some areas, such as the construction industry. This has resulted in reduced or postponed activity in the construction sector. In some cases, the creation of new housing projects and work on existing housing units is deferred because construction companies cannot find the required labour resources (Institute of Urban Studies, 2001a; 2001b).

The polarization of the labour force is also having specific market and neighbourhood effects within cities. The increasing numbers of high-income professionals (for example, working in information technology, research and development) who are more likely to locate in the downtown or inner city areas are becoming gentrifiers. Many of these middle and higher income individuals take up residence in older inner-city areas and renovate or convert housing so that it conforms with middle-class taste while increasing the overall price and quality of housing in these older residential areas. Gentrification is also more likely to be prevalent in areas with specific site amenities such as character housing, parks, exceptional views and other locational assets such as proximity to employment. The process may lead to displacement of lower income households, especially those living in rental and rooming house accommodation. Ley (2001), whose work has documented this process, contends however that gentrification is a process that occurs in stages and thus displacement of lower income groups can be gradual and adequately managed by appropriate housing policies.

Low-income individuals and families have less choice in the housing market and will be forced to seek out lower priced rental options. In many cities this means living in the inner city in older, poorer quality apartments and homes. The combination of lower incomes and poorer quality accommodation are contributing factors to neighbourhood decline. Often these areas are characterized by concentrations of recent immigrants or particular ethnic groups. For example, Aboriginal households are a dominant presence in Prairie inner cities and their educational and labour force characteristics are very different from other sectors of society. Analysis by Kerr et al, (1996) illustrates that educational and skills levels of the Aboriginal population lag those of the non-Aboriginal population and unemployment rates for Aboriginals are two and one-half times higher. In addition, Kerr's work demonstrates that from 1981 to 1991, average incomes actually decreased for Aboriginals. Their ability to access adequate, affordable accommodation and invest in the improvement of housing is very limited.

Labour force trends display several regional differences:

- Labour force growth is expected to remain primarily urban focused with continued concentrations of new employment opportunities in a few major urban centres.

- High salaried professional job opportunities will be particularly concentrated in these urban centres.
- The growing number of new economy and high tech opportunities will continue to gravitate to cities that have existing and expanding employment infrastructure in these sectors. Regional clusters of high tech industries such as aerospace, computer and information technology will continue to expand and industries will capitalize on the principles of agglomeration economics in cities such as Vancouver, Calgary, Saskatoon, Ottawa, Toronto and Montreal. This will continue to force peripheral cities to become more competitive in attracting and maintaining capital investment.

Without a structural shift in employment opportunities the continued concentration of better paying jobs in major urban centres will mean individuals living in rural communities will continue to be underemployed as a result of limited employment growth and their inability to access jobs in peripheral locations. Often lower skill levels restrict the opportunities for people in these rural areas to move and access better jobs. As a result, the spatial entrapment of many will continue, if not escalate. People with low levels of education and job skills living in the inner city face the same sort of spatial entrapment.

The changing labour force characteristics and income instability have had a mitigating effect on the housing market in many areas of Canada. The combination of increases in non-standard work and the associated lower incomes mean that many individuals and families have found it increasingly difficult to purchase a home or rent adequate affordable accommodation (Kupke and Morano, 2001). There is little evidence to suggest this will change in the immediate future.

Groups most vulnerable to unemployment have been Aboriginals, immigrants, and youth (Statistics Canada, 2001; CMHC, 1996). Statistics show that from 1981 to 1991, Aboriginal unemployment rates increased dramatically (Kerr, 1996). High unemployment rates among Aboriginals are the result of numerous factors, including: lack of skills and little education; a weak economic base in many rural and/or remote communities and hence, few job opportunities. Shelter expenditures are consuming a very high percentage of household income for these low-income households, particularly the Aboriginal households. CMHC's study (January 1992) supports these findings and documents the growing inequality involving the distribution of income and shelter expenditures in Canada from 1981-1991.

Growth in professional, highly skilled positions (more common in major urban centres), on the other hand, has allowed many other households to significantly improve their housing circumstances.

2.4 Housing Construction and Renovation

There is a strong connection between trends relating to new housing construction and trends relating to the existing housing stock and its maintenance. The 1996 Census indicates that about

two-thirds of Canadians are living in housing that meets or exceeds Canada's high housing standards. In addition, Canadian housing has been increasing in size and amenities. The average new home size in Canada has risen from 1,374 square feet in 1993 to 1,455 in 1998 or about 1 percent annually (CMHC, 2000). Single-detached starts account for over half of all housing starts in Canada (CHBA, 2001b).

Housing starts in Canada have increased from the relatively low levels (110,933) of the mid-1990s. New housing starts reached 162,733 in 2001 (CMHC, 2002). CMHC's Potential Housing Demand (PHD) model projects that household formation in Canada during the 2001-2006 period will average 158,500 annually. Real spending on residential construction has grown significantly over the last three decades, from \$4 billion in 1971 to \$20 billion in 2000. (CHBA, 2001a). New home building, renovations and other residential spending totaled \$49 billion in 1999, accounting for over 5 percent of Canadian Gross Domestic Product (Hirshhorn, 2000).

Most of the increase in housing starts in Canada in 2001 is attributed to higher starts in two provinces: Ontario, which has had very strong housing markets for the past several years; and B.C., which experienced a modest recovery from the very weak markets that characterized the period since the mid-1990s. Housing starts in Québec and Alberta also increased in 2001 over output from previous years. Housing starts remained steady or declined slightly in all Atlantic provinces between 1986 and 2001. With the exception of Saskatchewan, where housing starts have fallen steadily, starts in 2001 were higher in Western Canada (CHBA, 2001b; CMHC, 2002). Housing starts trends are largely dependent on rates of economic growth (lower in Atlantic Canada and Quebec and higher in Western Canada) and availability of employment, and on resulting population migration.

There is a growing trend towards the purchase of resale homes; resale buyers were expected to more than double the number of home buyers (who are new to the home buying market) by the year 2000 (Angus Reid Group, 1995). Indeed, recent statistics show that there were 380,458 homes sold in 2001 (more than double the number of new housing starts) through the Multiple Listing Service (MLS). This is up from over 330,000 in 2000, and 252,000 in 1995 (special tabulations provided by CMHC). This shift will have an impact on patterns of spending on construction over time, as homeowners look to renovate homes they have purchased on the resale market.

The renovation industry has, since the 1970s, seen an upward trend in its business to the point that it now represents about half of all residential construction expenditures. During times of high interest rates and economic uncertainty, some owners will opt to renovate rather than buy a new home. Homeowners are the cornerstone of the renovation market (CMHC, 1995b).

The residential renovation industry is made up mostly of small businesses, with more than 80 percent of companies run by owner-operators directly involved in all aspects of the business (CHBA, 1995). Compared with new housing spending, much less market volatility occurs with

renovation spending (CMHC, 1995b). There are some regional differences in the types of renovation work carried out. For example, compared to firms in other parts of the country, Québec companies derive a greater proportion of their revenues from repairs, maintenance and restoration work. B.C. companies derive more of their revenues from additions and conversions (CHBA, 1993).

One of the future research priorities in the renovation industry is to assess the impact of new technology on their work (CHBA, 1995). More effective means should be sought in transferring technical knowledge and practical skills to renovators, and in communicating to homeowners the benefits of housing improvements such as energy efficiency, and improved indoor air quality and ventilation (Reid/Foster Associates, 1997).

Overall, the number of units in the Canadian housing stock is increasing. This trend indicates a need for more focused research in the area of housing maintenance and approaches to financing, both toward efficient and effective maintenance programs and strategies. Maintaining Canada's housing stock requires timely investment of funds for replacement of building elements and equipment. Research suggests that the longer the assumed life of the building, the higher must be the annual contribution to the reserve fund (IBI Group, 2000). As knowledge of building element life spans increases, and the need for adequate funds becomes more clearly understood, a significant component of the value of older apartment buildings could be the size of their reserve funds. Awareness of funding required is the first step in understanding the effort needed to preserve residential buildings, whether the stock is owned and managed privately or publicly. Regionally, the highest concentration of households reporting the need for major repairs is Atlantic Canada (Lampert, 1999b).

Some 85 percent of the approximately 4 million rental housing units in Canada are private sector owned. An evaluation of long-term trends in the rental housing market (CMHC, 1999) shows that the rental stock grew rapidly during the 1960s and 1970s, more moderately in the 1980s and even more slowly in the 1990s. Very little new rental housing has been built since the early 1990s because the potential returns from rental investment are not attractive (CHBA, 1999; Lampert, 1999b); most of the increase in rental supply has come from other sources, including conversion of non-residential buildings to residential use, and the development of secondary suites in single detached houses.

Although vacancy rates increased slightly from 2001 to 2002 (1.1 percent to 1.7 percent) in Canada's 28 metropolitan centres there are still some tight rental markets. In Montreal, Quebec City, Gatineau, and Kingston 2002 vacancy rates were below 1 percent. In another eight metropolitan centres rates were between 1 percent and 2 percent. The rate exceeded 3 percent in only five centres. Overall, vacancy rates fell in 11 of the 28 centres and rose in the other 17. (CMHC Nov. 2002). Although the Affordable Homes Program recently introduced will stimulate some new rental starts, rental markets are likely to remain tight for the foreseeable future (CHBA, 2001b). FCM predicts that the Canadian housing system will need 45,000 new rental

units each year for the next ten years to keep up with current demand and at least half of these will have to be affordable units (FCM, 2000).

According to investors, some of the perceived disadvantages of investing in rental housing include: the potential need for extensive capital upgrades; high property taxes; and excessive government intervention (CMHC, 1999). In contrast with the relatively low levels of investment in new private rental projects in Canada during the 1990s, landlords undertake significant investments in repairs and renovations to their rental properties every year (Lampert, 1999b). For example, landlords spent almost \$4 billion (\$1,200 per unit) renovating and repairing private rental housing in 1995 (CMHC, 1995).

Public housing is Canada's earliest form of social housing. According to its precise meaning 'public housing' should meet two criteria: it should be owned by a government or a government agency; and rent paid on all units should be calculated according to household income. Public housing makes up almost one-third of Canada's social housing stock (Smith, 1995). It should also be noted that seniors occupy nearly half of the public housing stock, which in turn creates challenges related to a general lack of turnover of tenants and the aging in place of seniors.

The public housing supply in Canada is aging as the majority of public housing stock was built before the 1990s. It may be in adequate physical condition at the moment, but major capital requirements loom, especially in the high-rise portfolio. The repair costs are expected to be associated primarily with specific elements of the buildings such as cladding, windows, roofs, balconies and exposed structural elements. The cost of rehabilitation to deal with these concerns is significant (Sewell, 1994). In order to address many of the problems and issues related to public housing there is a need for further research and reforms that focus on the modernization of management systems and the development of more appropriate organizational structures capable of rapid adaptation (Smith, 1995).

Over the past few decades there have been significant achievements in housing construction. The "energy crisis" of the mid-1970s to mid-1980s prompted the development of air leakage control, advanced framing for increased insulation levels, heat recovery ventilators, high-performance windows and high-efficiency heating and lighting systems. The response to the energy crisis raised concerns in two other areas - indoor air quality and moisture-related deterioration (Scanada Consultants Ltd. et al., 2000). The most important energy-saving and environmental features sought by potential homeowners are more efficient windows and insulation (Angus Reid Group, 1995). Other areas of innovation included fire prevention (e.g., development and testing of light weight fire resistant floor assemblies, improved sprinkler systems and positive pressure ventilation systems); noise control (e.g., better sound insulation of floors and walls); and infrastructure renewal (e.g., maintenance and repair guides for parking garages and guides for moisture management in exterior wall systems).

In addition, housing agencies and builders adopted successful approaches to construction in northern and remote areas, emphasizing stable foundations and durable building envelopes. However, the state-of-the-art of northern heating and ventilation systems did not significantly

improve in the first part of the 1990s. Performance monitoring will be required to track long term effects of innovations (Howell-Mayhew Engineering et al., 1996).

In the last 20 years, the manufactured housing industry has undergone significant change. It has shifted its emphasis from mobility to modular, permanent housing that in both style and appearance is often indistinguishable from comparable site-built homes. The advantages of prefabrication include increased energy efficiency, reduced construction waste and less overall building site damage. By 1994, Canadian manufactured housing producers, turning more to the production of multi-section homes, held a 17 percent share of the new housing market. In order to further improve the quality of manufactured housing there is a need to promote and encourage assembly-line construction techniques (Pallergino, 2000). While a number of technical studies have been conducted with regards to construction specifications, shipping systems and local regulations for building codes for manufactured homes, fewer studies have addressed the socio-economic aspects of manufactured housing (Corbett, 2001; L. J. O'Riley & Associates, 1999). Friedman (1994) points to several aspects of manufactured housing that could benefit from a more comprehensive and detailed investigation:

- transportation and lifting considerations;
- indirect cost saving associated with shorter construction periods, reduced material waste and better after-sale service; and
- marketing studies aimed at assessing the potential for specific types of prefabricated assemblies in the North American context.

As a result of the many innovations, Canadian housing has become more energy-efficient, environmentally responsible, healthier for its occupants and more durable, while still remaining affordable to the majority (Scanada Consultants Ltd. et al., 2000). Despite these significant improvements, there remains a need to undertake sustained research quantifying the range and extent of the impacts of innovations on the housing industry and the overall quality of the housing stock in Canada.

2.5 Cost of Housing

Falling mortgage rates and generally lower purchase costs have made it increasingly possible for more households to buy a home in recent years. Over the full 1986-2001 period, average new house prices went up 42 percent – less than the 50 percent rise in the Consumer Price Index (CPI) since 1986. Over the recent period of 1996-2001 there were only moderate increases in new house prices – an average of around 2 percent annually for Canada as a whole, compared to a CPI increase of approximately 3 percent annually (CMHC, 2002). The gain in purchase value for consumers may in part be at the expense of the builders, whose profit margins have become narrower. Research suggests that builders' labour and materials costs have increased much more than house prices (CHBA, 2001b). The Canadian Home Builders' Association (2001b) reports that while construction union wage rates (including supplements) increased by 52 percent during the 1986-2000 period, lumber prices, an important part of house construction costs, were almost 60 percent above their 1986 level.

Trends in housing prices are notoriously cyclical and differ greatly from one part of Canada to another. According to Statistics Canada, new house prices have increased in most major eastern Canadian markets over the period of 1999-2001, following relatively stable prices during the 1990-1998 period. Ottawa-Hull has been Canada's strongest market from 1999-2001 where house prices have risen by almost 20 percent. Strong growth was also seen in Calgary's and Edmonton's housing markets due to strong local economies. Price increases in major eastern centres have been much more moderate. Montréal's new house prices have risen by 9 percent between 1999 and 2001. Toronto (5 percent) has also experienced increased prices. After declining progressively since a peak in 1993, Vancouver's new house prices were leveling off and in 2001 were only slightly above the level of 1988 (CHBA, 2001b).

The share of the typical house price accounted for by building materials ranges from a low of 23 percent in Surrey B.C. to a high of 34 percent in Atlantic centres. One reason behind the significant range in the material's share of the house price is land costs which vary substantially across the country (Lampert and Denhez, 1997). According to the 29th semi-annual Pulse Survey conducted by Canadian Home Builders' Association in the Winter of 2001/2002, concern over rising serviced lot prices among new home builders is particularly evident in Atlantic Canada, Ontario and Alberta, but not considered a problem by those in Manitoba and Saskatchewan.

While it can be argued that houses, or more precisely the buildings themselves, have for some time been a good purchase value, over the 1981-2001 period other homeownership costs such as utilities, property taxes, and insurance rose faster than inflation. For example, the cost of utilities has escalated since 1981 by 163 percent, compared to general price inflation of 99 percent. Further, the actual cost of homeownership is increased by the levies, fees, charges and taxes (totaling a substantial amount) on new homes collected by all levels of government. They account for over 20 percent of the price of new homes in many major centres in Canada (CHBA, 2001b).

According to the Federation of Canadian Municipalities (2000), homeownership affordability became a bigger problem in the 1990s because real disposable incomes stagnated or declined, especially for lower-income households. A Canada Mortgage and Housing Corporation (2001) study which explored the housing conditions of households reported by the 1996 Census of Canada confirmed that increases in shelter costs exceeded growth in incomes. Over the five-year period 1990-1995 average household income grew by 6 percent but shelter costs increased by 11 percent from 1991-1996 (Spurr et al., 2001). During the 1990s renters saw rent price escalation greater than general inflation, leaving less income to save for purchase of a home. Further, over the period 1990-1995 tenants' average household income grew by only 1 percent, but their shelter costs increased by 11 percent (Spurr et al., 2001).

Comparisons have been made between housing costs of owners and renters (Clayton Research Associates Ltd., 1992). Owners' shelter costs are greater than renters' for several years (typically 5 to 10 years) following the purchase of the home. However, over time, rents rise with inflation

while the main component of owners' shelter costs (the mortgage payment) stays relatively constant (except when interest rates rise). A comparison of long term trends in housing costs among home owners and renters reveals that owners have significantly lower shelter costs than do renters.

The housing industry is concerned that the transfer of financial responsibilities for infrastructure charges from the federal and provincial governments is resulting in ever-increasing local charges on new housing at the municipal level. The most important factor influencing the differences in total charges among the municipalities is the amount of infrastructure charges - mainly development cost charges. These sometimes include charges for 'soft services' such as education and recreational facilities. Industry advocates are arguing that further obstacles to accessibility of homeownership are shortages of trades/labour, and rising costs of materials. These are hindering growth potential in new housing sales (CHBA, 2001b).

Some researchers (Ley, Tutchener and Cunningham, 2001; Ley and Tutchener, 1999) argue that in larger Canadian urban centres, conventional regional and national factors such as shifts in local economic climate and urban population growth seem to have declining significance in accounting for price movements in housing, while such indicators as immigration, gentrification, and increased goods and population mobility, have stronger effects (Ley, Tutchener and Cunningham, 2001; Ley and Tutchener, 1999). Overall, however, the nature of the linkage between immigration and house prices remains elusive (Ley et al., 2001).

Fortin and Leclerc (2000) examined contentions made by demographer David Foot, who argues that as the Canadian population ages, the number of home buyers is bound to decrease, causing the prices of residential real estate to drop substantially. Their study concludes that even if demographics exert downward pressure on real estate prices, such an impact will probably be dominant only in certain regions, namely the Atlantic provinces and Saskatchewan. They also conclude that it is not very likely that real housing prices will experience a decline. Fortin and Leclerc also argue that Canadian data still suffer from the absence of constant quality price indices. The average MLS transaction prices then assume greater importance provided that the quality bias they contain is accurately identified. Fortin and Leclerc suggest that there is a need to better understand and quantify the impact of the aging population (particularly of the growing number of households whose primary maintainer is over the age of 40 years) on housing demand, both in terms of volume and type. In addition they suggest that it would be useful to pursue work on the relationship between the population growth rate and the rate of new housing construction activity. This would allow for a better understanding of the housing market's adjustment mechanisms, and thus, of long-term price determination.

2.6 Financing Mechanisms

Financing mechanisms directed toward housing markets are aimed at achieving three major goals: increasing housing availability in general; supporting selected homeowners; and providing other programs (e.g., mortgage interest and property tax deduction programs).

Since the 1950s, the Canadian government facilitated the introduction of many innovations in the home financing area and home ownership programs (e.g., condominium ownership) by offering mortgage insurance and savings plans which lowered the risk to financial lenders (Fallis et al., 1995). Since the late 1960s, the number of homes and the demand for mortgages have grown significantly, the latter increasing from \$50 billion in 1970 to close to \$300 billion in 1989 in loans outstanding (Fortin and Leclerc, 2000).

In the 1990s, mortgage insurance systems were still increasing the prospects of home ownership and mitigating the risks of loan defaults for investors. Further, there was substantial government support for homeownership through, for example, the new housing GST rebate, the RRSP Home Buyer's Plan, the capital gains tax exemption on principal residence, and low downpayment mortgages. Some provinces also provide support for homeownership through initiatives such as reduced payments of land transfer taxes and programs to encourage prospective purchasers to save for a downpayment.

According to Fortin and Leclerc (2000), the value of new mortgage loans follows closely the value of homes. The same study found a stable and significant relationship between the number of new loans and variations in interest rates. In fact, a rise of one percentage point in interest rates reduces the number of new mortgage loans by nearly 15 percent in the first year. In addition, the number of people in the 25-34 age group has a very marked influence on the number of new loans. For example, between 1990 and 1998, the annual growth rate of the population aged 25-34 went from 2 percent to -2 percent, bringing down the number of new loans by 17 percent. The expected slowdown in demographic growth, especially among the 25-34 age group should bring about a significant reduction in total mortgage loans outstanding between 2000 and 2020. Consequently, the average price of homes would have to rise in order to drive up the average value of mortgages and reduce the impact of the decreasing number of new loans.

Despite government support for homeownership, the producers of housing, who rely on commercial real-estate lenders, were facing much greater difficulty in obtaining credit (CMHC, 1995b). The National Survey of Renovators conducted by Canadian Home Builders' Association (1993) revealed that it was at least moderately difficult to obtain financing from lending institutions for half of the renovators. In addition, full-time renovators had a more difficult time securing financing than part-time renovators. Gaining insight into the renovation industry sector, and especially into the financing of residential renovation, is one of the research priorities within the housing industry (CMHC, 1995b).

For the most part, governments have become a more passive party in the partnership of private and public interests that characterizes the Canadian housing system. Current public policy – supported by the private sector – is to avoid the use of monetary policy to promote housing

production or protect housing from periods of instability in the overall economy (CMHC, 1995b).

Kraus and Eberle (1998) argue that there is a relatively high level of interest and willingness among non-profit housing providers to undertake affordable housing projects without ongoing government subsidies. However, the capacity to undertake projects is mixed. While many groups have available resources (such as land and equity in projects), there is considerable need for better information on how to implement innovative approaches. There is also the need for expertise in project financing (Kraus and Eberle, 1998). Important work still needs to be done too in examining the actual behaviour of non-profit housing agencies in order to identify which particular aspects of their operation allow them to provide accommodation (with all subsidies removed) at less than market rents (Ekos Research Associates, 1997).

2.7 Municipal Infrastructure

Municipal infrastructure includes the massive networks of roads and transportation systems, sewer lines and treatment plants, water lines and delivery systems, electrical grids, phone lines and other essential operational facilities in cities. Graham (2000) notes that the infrastructure within cities are systems of inter-related networks that do not develop in isolation of each other but are connected in various ways such as water and sewer networks, phone and electrical networks. This inter-connection is vital in understanding the complexities of municipal infrastructure networks within cities and the related costs associated with expansion. The salient literature points to the emergence of more sustainable urban growth trends such as higher densities, limiting expansion through such measures as growth boundaries and other principles of smart growth, all designed to curb the high costs of expanding current infrastructure networks.

Generally, the discussion surrounding municipal infrastructure is focussed on the cost of renewing aging inner city systems or the cost of servicing new peripheral locations. In either case, costs have been increasing and municipalities are grappling with ways to continue to finance upgrades and further expansion. This has resulted in many municipalities rethinking growth patterns and the types of developments being approved. According to Diamant (1995) “the state of municipal infrastructure across Canada has been an ongoing debate for the past twenty years. In the early eighties, the Canadian Federation of Municipalities undertook a study which concluded that \$15 billion was needed immediately to bring the infrastructure in Canadian cities up to an acceptable level.” Although the \$15 billion figure is dated and the costs may now be higher, it nonetheless underscores the magnitude of the infrastructure issue in Canadian cities.

Ciscel (2001) provides a critical analysis of the impacts of urban growth trends by examining the costs associated with the continued outward expansion of modern cities. He notes that, for the most part, urban sprawl is considered the leading contributor to escalating infrastructure costs for municipalities. Continued urban sprawl has resulted in increased pressure for new infrastructure

in peripheral locations at the expense of reinvestment in aging inner city infrastructure. A critical point for Ciscel is that the modern city has become inefficient and overly dispersed. Development, he suggests, simply focuses on suburban development because of the easier access to land, economies of scale in construction and preferences of home buyers, at the expense of longer term issues related to cost effectiveness. “Consequently, the new sprawled city is expensive, both in terms of investment capital and maintenance costs”. He concludes that “growth brings a long-term condition of geographic diseconomies of scale, notably in commuting [roads] and infrastructure provision” (Ciscel, 2001).

Kim (1997) examines the link between housing market activity and the general economic health of a city. The cost of housing is closely tied to infrastructure expansion and “adequate financing for urban infrastructure is a prerequisite in ensuring that cities function effectively as the engines of growth” (Kim, 1997) and that they are in a position to provide affordable housing. Furthermore, Kim suggested that proper pricing of infrastructure and the development of new environmentally sensitive systems (improved sewage treatment facilities, water saving options, etc.) can contribute to “enhancing the urban environment” (Kim, 1997). Reducing the cost of infrastructure and introducing more environmentally sensitive technologies related to sewer, water and transportation systems are strongly related to smart growth options.

CMHC (1999d, 1997, 1995) explored the potential benefits of different development approaches and the associated direct costs of infrastructure. As an example, CMHC (1995) explored the cost savings that would be generated by using infill housing programs to increase densities in the inner city, noting that the benefits of increased population concentrations are essential to achieve a more efficient infrastructure system. The report states that “filling vacant lots with *Sprout Houses* can gradually increase the population density of a municipality. That means more efficient use of a city’s infrastructure and resources and a larger tax base” (CMHC, 1995). The promotion of higher density is echoed in a 1997 CMHC report which provided a detailed analysis of infrastructure costs from urban expansion. The report provided a detailed comparison of two projects by exploring the impacts of street configurations, density and urban form, and engineering and development standards. The report contends that it is essential to consider these three areas when examining the cost and impacts of infrastructure and the best way to direct future development options. In a 1999 report CMHC (1999d) suggested options to achieve higher densities through various incentive programs such as inclusionary zoning, mixed use incentives and density bonuses. These programs, although generally directed towards the implementation of low income housing, are effective in reducing the burden of municipal infrastructure costs through higher density construction and other cost saving measures.

Municipal infrastructure expenditures have been escalating for the last few decades. In response to these increased costs, municipalities are placing more and more emphasis on innovative means of reducing both economic and environmental costs. Emphasis has been placed on development of more compact urban forms as a potential cost savings mechanism. This trend is expected to continue in the future although greater emphasis is, and will continue to be, placed on technologies that result in more environmentally sensitive infrastructure systems. These trends

will continue to influence both housing densities (dictating smaller lots and higher density housing options) and internal housing systems such as sewer and water (Roseland, 1998).

Regional variations will continue to play an important role in understanding and assessing future trends. The division between the “have and have not” cities will play a mitigating role in assessing whether or not local jurisdictions have adequate resources to meet demands. Older cities such as Winnipeg and Montreal face a tough challenge in balancing adequate funding for the renewal of older infrastructure systems in aging neighbourhoods while simultaneously placing adequate resources in new peripheral locations. Problems will be exacerbated in slow growth cities with eroding central city tax bases. This point is of particular interest to slow growth cities such as Winnipeg, where inner city assessments have fallen dramatically in recent years. In more rapidly growing centres such as Toronto and Calgary, pressure will be greatest in meeting the escalating demands for new investments in infrastructure for peripheral growth. These cities, however, will also face tough choices in balancing the new growth with the maintenance of existing systems. Regional differences will be evident and most likely defined on the basis of intensity of growth and the ability of the market values to generate the property taxes necessary to sustain continued expenditures for urban infrastructure expansion and renewal.

The discussion of municipal infrastructure must also acknowledge differences in rural and remote communities. There are often increased costs involved in the provision of basic services in many rural and remote communities including water, sewer (if available) and other utilities and networks. The higher costs of maintenance often associated with the increased cost for the transportation of materials (especially to communities which use winter roads as primary links), may also present unique problems for these locations. Finally, climate and soil conditions (permafrost and drainage) will also generate differences in the type of technologies used and the cost of service to consumers in northern and remote locations.

Overall, infrastructure has a significant impact on housing costs and the cost of home operation to the consumer.

2.8 Smart Growth

The suburban expansion of the past few decades has resulted in cities facing a number of economic and environmental pressures associated with outward development. In response, many jurisdictions are rethinking the planning and management of urban growth. One such measure is smart growth, which encourages effective growth management principles in an effort to ensure a more sustainable future.

In the past few years, smart growth has become more prevalent in the literature and is routinely associated with being a response to the years of continued outward expansion of cities. Continued expansion is seen as creating an unsustainable pattern of urban development,

especially for rapidly growing centres. In an effort to better understand the meaning of smart growth, Benfield et al. (2001) provide a set of 10 basic principles of smart growth:

- Mixed land use development
- Preservation of open space, farmland, natural beauty and critical environmental areas
- Compact neighbourhood design
- Direct development toward existing communities
- Creating a range of housing options and opportunities
- Providing a variety of transportation options
- Creating walkable communities
- Making development decisions predictable, fair and cost-effective
- Fostering distinctive, attractive communities with a strong sense of place
- Encouraging community and stakeholder collaboration in development decisions

These principles are intended to act as a basic foundation for encouraging new forms of urban growth. Furthermore, the authors note that to understand these principles, it is essential to acknowledge that “a basic underpinning of smart growth is the acceptance that growth is inevitable” (Benfield et al: 6, 2001). Therefore, once growth is assumed as inevitable, strategies can be introduced to manage development while maintaining a healthy market.

The Canadian Urban Institute (CUI) offers a similar set of defining principles of smart growth, incorporating such characteristics as growth management, environmental sustainability, affordable housing, green space protection, clean air and water, heritage preservation, downtown and brownfield redevelopment, compact urban design, mixed use zoning, development of parks and community gardens and incorporating bicycle and pedestrian paths (Canadian Urban Institute, 2001). For both Benfield et al and the Canadian Urban Institute, smart growth is viewed as a set of desirable planning attributes that cities should strive to incorporate. The great diversity in principles of smart growth poses problems for developing a common understanding of what constitutes a smart growth development.

The Canadian Urban Institute provides a key opinion of “smart growth” approaches used in the planning of cities. The Institute writes that “the term seems to act like a magnet for all kinds of proposals to make cities less dysfunctional, more livable, and more economically competitive” (Canadian Urban Institute: 3, 2001). With respect to this comment, the authors note that Smart Growth has become a catch phrase used by a number of groups who have each added a new perspective, thereby making a single definition difficult. Furthermore, they note “the danger, of course, is that a vague term such as “smart growth” can be used to mean whatever a particular group wants it to mean, and therefore can be used to justify almost any project” (Canadian Urban Institute: 4, 2001). Although the literature lacks a clear and unifying definition, there is general consensus on the important principles, such as those noted above.

Olson (2000) explored the connection between urban spatial growth and the need to reconsider how cities are planned. In essence, she contends that the trend of continued outward urban growth into peripheral regions has reached a saturation point in terms of its impact and cost to

the environment. This is related to both the decline in the land available for future expansion and the environmental costs. The problems associated with sprawl have caused planners to shift attention back to focussing on a compact form of the city. For Olson, the ideal solution would be a “retrofitting of cities.” This refers to creating compact urban forms based on higher densities and greater integration of activities (mixed use development). She further concludes that this process is a long-term objective and will take time for implementation. However, Olson contends that thinking ‘smarter’ about the management of urban growth is essential, and without a change in planning philosophy, patterns of unsustainable growth will continue.

In response to the pressures associated with outward growth, many jurisdictions have adopted innovative responses for controlling future urban development. Knaap and Hopkins (2001) discuss the use of smart growth measures as an innovative means of combatting urban expansion and write, “urban growth management continues to evolve as a practice of planners and as an issue of popular concern” (Knaap and Hopkins: 314, 2001). One such control mechanism, cited by the authors, is the use of urban growth boundaries (UGB). A critical point made by the authors is that the control of urban development is a difficult tool to use and to define because, if spatial expansion is controlled by placing limits on growth through UGB or other means, this may impact the market in two distinct ways. First, if too much land is allocated within the growth management plan, this may contribute to further sprawl, yet on the other hand, if too little land is set aside for future growth, land prices may rise rapidly due to an under supplied market, possibly resulting in increased housing costs and reduced affordability. This possibility emphasizes the need to develop smart growth mechanisms that are based on an understanding of the dynamic nature of urban growth and market conditions. Furthermore, this also means careful analysis of long term trends is essential to achieving smart growth objectives that are sustainable.

Smart growth also entails the use of more environmentally conscious materials and building techniques. Tyler (2000), Benfield et al. (2001), CMHC (1994) and others highlight the need to raise awareness of both sustainable materials and methods of building houses and city infrastructure in an environmentally sustainable manner.

Effective incorporation of smart growth principles appears to be gaining momentum in urban planning. This trend bodes well for entrenching smart growth principles in more mainstream planning projects. However, the ability to enact smart growth policies may be dependent on the level of growth in a community. Cities most likely to implement smart growth principles will be rapidly growing “big cities” where pressure to manage growth will be more acute with continued market expansion. This is most likely to impact cities such as Toronto, Vancouver and Calgary. In these cities, high levels of activity and market pressure are more likely to stimulate innovative responses to rapid urban growth. Applying smart growth principles in smaller centres and slow growth cities may be more difficult given the limited demand for housing and higher risks associated with innovation in low demand situations. In slow growth cities, where market conditions are relatively stable, there is also less pressure to curb outward expansion or move to higher densities.

Future trends appear to support the use of smart growth policies but, again, there will be regional variation based on fluctuations in market conditions, consumer demand, consumer characteristics and political will. Furthermore, promoting such concepts as higher densities will require long term and comprehensive planning approaches. The principles of smart growth will require the support of the building industry, but to ensure their support, the profitability of smart growth must be clearly demonstrated. Short term support from various levels of government to subsidize initial investments may be essential until the private sector is satisfied that the market conditions to make such developments profitable and self-sustaining are evident. Government support may be particularly important in slow growth markets.

Smart growth principles can encourage the development of more innovative housing forms such as “live-work” housing (purpose built so the occupant can work out of an in-home office), smaller, high density housing forms and eco-friendly housing and neighbourhoods. All of these options, however, will require a comprehensive marketing program to encourage skeptical consumers to change their preferences and attitudes towards housing types, sizes, residential densities and associated amenities and allay their fears about possible price depreciation.

2.9 Market Failure

Market failure in housing markets arises from imperfections that prevent markets from efficiently allocating housing resources. Two reasons for market failure in a housing context are lack of information and discrimination. The usual end result is that some people may be denied access to housing of their choice, pay more than the real value of the housing they occupy, or be forced to accept housing of poorer quality.

A general lack of equality in access to information about housing markets and housing properties can create market failures. When there is an unequal or inefficient exchange on the market caused by differences in information (or information asymmetry) between housing providers and housing consumers, the result is that consumers pay more for housing, or they purchase lower quality housing than they think they may be purchasing. For example, these outcomes can occur when sellers know much more about the property than the potential buyer, and may charge much more than the property is truly worth. There may also be situations where consumers are not aware of suitable options in the market place. For example, households wishing to become owners may not be aware that they can qualify for financing because of a lack of knowledge of prices or the income necessary. To a large extent, CMHC is addressing consumer information needs through such publications as:

- **Newcomer's Guide to Canadian Housing** (explains Canadian housing customs and practices and provides home rental and purchase information to new immigrants in simple language).
- **Homebuying Step by Step: A Consumer Guide and Workbook** (provides instructions and worksheets which take a buyer through the entire process of home buying).

- **Residential Condominium Buyer's Guide** (provides people considering the purchase of new or existing condominiums with guidance on what to look for, affordability considerations, how to assess the condominium corporation's financial situation and physical condition, and general information on condominium living).
- **Your Guide to Renting a Home** (provides a comprehensive overview of tenant and landlord rights and responsibilities and rental practices in all provinces and territories).

Housing market failure can also manifest itself through discrimination against certain population groups such as immigrants (Chambon et al., 1997), Aboriginal residents (Spector et al., 1991), children from low-income households (Jackson and Roberts, 2001), female lone parents (CMHC, 2000) and residents with health problems or disabilities (Schiff and Gnaedinger, 1997; Vlug, 1998; Weisberg, 1994). Instances of discrimination occur in both rental housing (Hulchanski, 1993) and homeownership (Mason, 1995). Individuals from the specific groups referenced above may be systematically denied access to housing of their choice, or charged significantly more for the housing they purchase or rent or be forced to rent housing that is in poor condition or is not suitable, given household characteristics.

One of the trends relating to the profile of housing consumers in Canada is an increase in the diversity of the consumers. This is largely a result of continuous immigration, particularly to the larger urban centres, and to Toronto, Vancouver, and Montreal more specifically. Discrimination on the basis of ethnic (Beavis, 1995), racial (Darden and Kamel, 2000) and gender characteristics, are also important access issues (Mason, 1995).

Although Canadian researchers generally acknowledge that discrimination exists in housing, very little concrete evidence is provided. Fair housing audits, like those documented in the U.S. literature, would help to provide much-needed empirical verification of discrimination (Beavis, 1995).

2.10 Multiculturalism and Housing Variation

The increasingly multicultural nature of our Canadian society gives rise to two issues in the housing market. The first is the fact that most new immigrants choose to reside in one of Toronto, Vancouver, or Montreal, resulting in a greater concentration in these cities and much less ethnic diversity in almost all other types of communities, especially in rural communities and small towns. The second is that there are particular challenges facing immigrants when they arrive in Canada, and choices they have with regard to their housing may be limited to specific geographic areas within large urban centres (Qadeer, 1997; Murdie and Teixeira, 2000).

Immigration during the 1990s was much higher than during the 1980s. After peaking at over 260,000 in 1993, immigration dropped to an average of 206,000 per year over the 1995-2000 period, before rebounding to 250,000 in 2001 (Citizenship and Immigration Canada, 2002), and declining by 9 percent to 228,575 in 2002 (Citizenship and Immigration Canada, 2003).

Immigrant households account for about one in five Canadian households, based on 1996 Census data (Melzer, 2000). The proportion (84 percent) of immigrants located in Census Metropolitan Areas (CMAs) is much larger than the proportion of non-immigrants (58 percent) in CMAs. Most immigrants (74 percent of most-recent immigrants) initially settle in the largest CMAs such as Toronto (42 percent), Montréal (15 percent) and Vancouver (16 percent). Only 4 percent of the immigrants arriving in the 1991-1996 period (increasing to 14 percent of the pre-1976 group) lived in rural areas, although these areas were home to 23 percent of non-immigrants.

The tenure and the type of housing chosen by migrants are associated with a variety of housing issues, but affordability is particularly important (Murdie and Lapointe Consulting Inc., 1996; Ley et al., 2001). Research results (Laryea, 1999) also show a wide variation in homeownership amongst immigrant groups depending on age, marital status, education, household type, and period of immigration.

Overall, immigrants who have lived in the country for 15 or 20 years (Melzer, 2000) are more likely to own homes than non-immigrants. According to various research studies, the period of time needed for the foreign-born population as a whole to attain the same rate of housing tenure as that of Canadians could range from 8 to 20 years (Murdie and Lapointe, 1996; Laryea, 1999; Melzer, 2000). Despite these high adaptation rates over time, newcomers to Canada are overwhelmingly dependent on rental housing, including social housing (Qadeer, 1997; Murdie and Lapointe Consulting Inc., 1996). Some 70 percent of the most-recent (1991-1996) immigrant households are tenants, but only 24 percent of the pre-1976 immigrants are tenants (Melzer, 2000). In both the ownership and rental markets, immigrants in general, and more recent immigrants in particular, are less likely to occupy single-detached homes (Clayton Research Associates Ltd., 1994). Ownership rates are highest among immigrants of European or U.S.A. origin but very low for those of African or Caribbean origin. Asian immigrants have the highest probability of homeownership in Vancouver.

Immigrants may require larger housing units due to larger family size (Clayton Research Associates Ltd., 1994; Murdie and Lapointe, 1996). Members of many immigrant group prefer to live with, or nearby, extended family members (Beavis, 1995; Murdie and Lapointe, 1996). Neighbourhoods in proximity to schools with language classes and to appropriate religious associations and cultural institutions are also preferred (Qadeer, 1997). There is a need for more focused studies which would determine present and future housing needs of refugees and recent immigrants and translate these needs into design guidelines (see CMHC, 1999).

Several research studies on black immigrants of various origins reveal that they tend to settle in neighborhoods with higher proportions of their own group (Grant, 1996-7; Owusu, 1999). However, one study suggests some immigrants may possibly be steered away from predominantly white neighbourhoods by landlords requiring higher security deposits (Fong, 1997). According to Owusu (1999), Africans are the least researched of all immigrant groups in Canada. Typically, researchers either completely ignore or, at best, lump African and Caribbean immigrants together in one analytical category.

There is general agreement among Canadian researchers that urban ethnic residential segregation is a complex phenomenon which has not significantly declined over the past three decades, but should be considered as problematic only if it is involuntary (Beavis, 1995). Several recent studies (Owusu, 1999, Hiebert and Burnley, 2001) indicate that in the 1990s the suburbs have become the primary reception areas for new immigrants to Canada compared to the earlier immigrant population trend to settle within inner-city areas. While business immigrants, mainly from various Asian countries, have moved directly into relatively high-priced single detached dwellings in affluent suburbs of large cities such as Toronto and Vancouver (Smart and Smart, 1994), refugees and other poor immigrants, mainly from developing countries, are forced by their financial circumstances into lower rent and often low quality private sector apartments, or into public housing (Murdie and Teixeira, 2000). In general, new immigrant groups from non-European countries continue to be more centrally located than those of European origin; however, the proportion of non-European minorities living in suburbs is rising more rapidly than that of the total population. While there is a continuing need to serve the social and economic needs of immigrants in the inner cities, increasing attention should be directed to issues of suburban immigrants (Hiebert and Burnley, 2001).

Qadeer (1997) asserts that the policy response to multiculturalism is still reactive and ad hoc. Darden and Kamel (2000) find a need for stronger policies and/or penalties to ensure equal access to the housing market, and Laryea (1999) concludes that immigrants need assistance to own their own homes. There is also a need for adequate data-based research that analyses the integration patterns of various categories of immigrants. This may be achieved by tracking the housing choices of the same group of immigrants over time (Clayton Research Associates Ltd., 1994). If the future selection policy is to lead to successful immigrant settlement and integration, the Legislative Review Advisory Group (CHBA, 1998) considers it key that these policies be based on the identification of factors that affect their success (or failure), programs that work (or do not), and the costs of settlement.

2.11 Income Disparity

Since 1980, the distribution of income within Canadian society has become considerably more polarized. The rich got richer, the middle class declined, and the poor got poorer and grew in numbers (Jackson et al., 2000). Lee (2000) has also illustrated that the polarization and poverty evident at the national level becomes even more pronounced in cities. His data illustrates that the population of metropolitan areas grew by just under seven percent in the 1990 to 1995 period; however, the poor population grew by just under 34 percent.

In Canada, income disparities can also be linked to regional, urban/rural, inter-urban and demographic differences. A recent report by Statistics Canada (2000) provides information on both regional and urban/rural differences based on research on rural and small town income disparities. The report examines whether rural areas are characterized by lower incomes than

urban regions. The findings suggest that within each province, rural regions have lower average incomes than urban regions. The level of disparity in urban and rural incomes ranged from a high of \$17,307 in British Columbia to a low of \$11,483 in Newfoundland and Labrador. One of the key findings of the report was that the differences between rural and urban incomes is greatest in British Columbia, Nova Scotia and Manitoba, and least in New Brunswick and Newfoundland and Labrador. A positive finding of the report was that the rural/urban gap has declined in all provinces except Newfoundland and Labrador. The most significant decreases were noted in provinces with above-average urban incomes (Ontario, Alberta, British Columbia).

Income disparity also exists between northern and remote areas and centres in the southern regions of Canada. A report prepared by the Institute of Urban Studies for CMHC (1999) found that average family incomes are much lower in northern and remote centres, while the incidences of poverty and unemployment are much higher there than in southern communities. These disparities are exacerbated by characteristics of the housing markets. Housing construction is often more expensive in northern and remote communities due to expenses associated with building in permafrost locations and the cost of transporting materials.

Income disparities are also evident within cities, particularly those experiencing significant levels of inner-city decline. For example, Charette (1994), Silver (1999), and Lezubski *et al* (1999) noted that there are sharp contrasts and growing inequalities between inner-city and non-inner-city populations in terms of employment, education, income and housing affordability. Furthermore, these authors suggest that certain subgroups in the inner city, such as youths, single parents, Aboriginal people, visible minorities and recent immigrants, experience even more pronounced inequalities. A clear example of this disparity is highlighted by looking at inner-city and non-inner-city characteristics in Winnipeg. The average household income for the city of Winnipeg in 1996 was \$44,933, while that of the inner city was significantly less, at \$28,588. The incidence of low income is also substantially higher in the inner city, where it is 62 percent, compared with 43 percent outside of the inner city and 49 percent for the city as a whole.¹ The United Way of Toronto (2000) notes a similar difference between affluent and non-affluent neighbourhoods in the City of Toronto.

A recent CCSD (2001) study detailing poverty rates in Canada's major urban areas illustrates differences in income among various demographic age cohorts, family structures and other characteristics of the population. The report is based on data from the 1996 Census, and finds that there are substantial differences in rates of low income (based on Statistics Canada's Low-Income Cut-Offs, or LICO) within the Canadian population. Those most likely to experience low incomes include recent immigrants, visible minorities, single parents, Aboriginal people, people with disabilities, and elderly women (Lee, 2000). Work by CMHC (1996) further highlights the income disparity that exists between the Aboriginal and non-Aboriginal population. The incomes of Aboriginal people substantially lag behind those of non-Aboriginal

¹ Data accessed on the City of Winnipeg Homepage March 28th, 2002. <http://www.city.winnipeg.mb.ca/census1996/>

people. In 1991, the average income for individuals 15+ years of age was \$14,561 for Aboriginals and \$24,212 for non-Aboriginals. Furthermore, between 1980 and 1990, the average individual income for non-Aboriginals increased by 4.3 percent, while the average for Aboriginals declined by nearly five percent. These differences in income result in significant disparities in quality of life, such as the ability to access adequate affordable housing (Clatworthy 2000). Core need figures published by Statistics Canada and CMHC (1996) confirm this disparity in housing as the proportion of non-farm, non-native households in core housing need was 17.6 percent, compared to 31.6 percent of non-farm Native off-reserve households.

A second report by the CCSD (1997) highlighted the fact that when labour market conditions were compared for 1984 and 1994, low-income families were found to be less successful (in terms of employment and wages earned) in the labour market in 1994. Changes in economic structure have created more difficult income situations for those in the lowest income categories. Those most affected by changes in the economy were families headed by young adults (under the age of 35) and single parents. These findings are similar to those of Lochhead and Shalla (1996), who found that over the previous two decades, the Canadian labour market experienced an increase in non-standard and precarious jobs, and chronically high levels of unemployment and poverty. In fact, the authors noted that the decline in middle-income-earners was a pressing problem, and one that contributed to increased disparities. They contend that the disappearance of the middle class will continue to put more families in a precarious position. This, in turn, will leave an ever-increasing number of children with a less certain future. Furthermore, research has shown that today's labour market is producing greater inequality among families with children than it did a decade ago, with especially severe income losses among lower-middle-income earners and the poor. Government income transfers, a critical source of support for middle- and lower-middle-income families, have not been sufficient to compensate for declines in earnings (Lochhead and Shalla, 1996).

Canadian demographic trends are also having an effect on the level of income disparity within certain sectors in society because there is a strong relationship between income and household type. There has been a significant increase in the number of single-person households, from 9 percent of all households in 1961 to just over 25 percent in 2001 (Statistics Canada, 1961 and 1996, Nation Series). Furthermore, the number of non-family households (people living alone or with other unrelated individuals) has grown more rapidly than the number of family households. In the period 1961 to 2001, non-family households increased from 13 percent to 28 percent of all households. Single person and non-family households are more likely to be found in the lowest income groups. As the trend to an increasing number of single-person and other non-family households continues, we will expect to see a larger proportion of the population experiencing lower incomes.

In the future, income disparities will remain prevalent in urban areas. Single-parent families (which have increased from 9.5 percent to 16 percent of all family households in the period 1971 to 2001), single individuals, Aboriginals and recent immigrants will be particularly affected. Contributing factors will continue to be structural changes in the labour force which continue to

erode economic options in certain sectors of the economy, affecting wage and unemployment levels. Inner-city and non-inner-city neighbourhoods will continue to display significant differences. Rural/urban differences and regional differences between the remote and northern and more southerly communities are also expected to continue.

2.12 Rental Markets and Rental Investment

Over the last two decades, the Canadian rental market has been in a state of reorganization characterized by an overall decline in the numbers of new and affordable units being constructed. A report by CMHC (1999) examined these changes from a global perspective and found that in most countries, the percentage of private rental units comprises only a small percentage of the total housing universe. In fact, in countries like the United Kingdom, the percentage of private rental units has declined from 50 to 60 percent in 1950 to a mere 12 percent (CMHC 1999). For many countries, the change in the rental stock can be accounted for by an expansion in the level of home ownership. CMHC's report concluded that the shift into home ownership has resulted in the rental market becoming more polarized, with low income households most likely to comprise the rental population. It was also noted that the rate of return for rental units does not offer enough incentive to attract capital investment to levels necessary to build affordable housing options (CMHC 1999). When one compares the rate of return available to investors through other means, such as stocks and mutual funds, investments in rental housing for profit generation become more difficult to justify.

In the Canadian context, Clayton Research (2000) provided similar findings when examining the rental market of Ontario. New construction in rental projects has been declining since the 1970s, and investment in the construction of new units by government has also declined significantly. This has created problems in the province of Ontario as rents for the existing stock have increased, as has demand, yet the financial viability of building new units cannot be sustained through current rent levels - especially for lower income households. This has resulted in capital seeking out other more viable investment options in more recent years (Clayton Research 2000).

The gap between the cost of new construction and potential rental revenue is critical in understanding the current problems facing the rental housing sector. For the most part, the response has been to look to government for assistance. This has resulted in three types of strategies: tax measures; subsidy measures; and facilitative measures aimed at supporting new rental market initiatives (CMHC 1999). The shortage of rental housing is also discussed by the Federation of Canadian Municipalities (1999), which links the rise in homelessness and households living in inadequate rental units to the lack of new rental units. The FCM report concurs with other findings, noting that although demand is rising, new construction for affordable units is not keeping pace (FCM 1999). FCM estimates that "Canada will need 45,000 new rental units each year for the next 10 years just to keep up with current demand; at least half of these will have to be affordable units. At the same time, construction of new rental units has plummeted from 25,000 to fewer than 8,400 per

year in the last decade. Demolition and conversion eats away at the affordable rental stock, while many affordable houses crumble” (FCM 1999).

Sloan and Stewart (1998) and the Ontario Non-Profit Association (ONPHA) (1999) point to unique problems associated with the construction of new rental units. Sloan notes that in the case of Winnipeg, a slow-growth city, the failure to build new and affordable units has caused rents to increase. The authors also suggest that there may be a link between food bank use and the inability of many renters to meet shelter costs because of increased rents (Sloan et al, 1997). ONPHA points to a similar situation in Ontario, where rents have risen in fast-growing cities like Toronto, but market pressure has not been relieved through new construction (ONPHA, 1999). In both cases, the market has been unable to respond to the demands for new rental units.

One of the greatest impacts on the availability of affordable rental choices will be Canada’s overall vacancy rates. According to CMHC, the national vacancy rates for Canada’s metropolitan areas remained below two percent (2%) in 2001. In cities like Toronto, the rate was less than one percent (1%) for many years. These tight market conditions have put significant pressure on the market, pushing up rents. Limited supply has also resulted in a lack of options for those seeking affordable units. The decline in vacancy rates has resulted from increased demand for rental housing. This demand has not been stimulating an increase in the construction of new units, especially affordable ones as has already been indicated. According to The Fair Rental Policy Organization of Ontario (FRPO), “the basic problem with the rental supply is that it is not profitable for the private sector to build and manage new affordable rental housing. Investors cannot get an adequate return on their money. There may be interest in high-end rental in some markets, but this is not the case for modest rental housing. The rates of return are not competitive with other housing investments and other investments in general.”² In centres experiencing tight rental markets, the reliance on non-traditional housing options, such as housing conversions and secondary suites, has increased. Pressure in the rental housing sector can be expected to grow in rapidly growing cities.

Demographic trends will also undoubtedly affect the demand for rental housing. One of the most significant trends will be the increase in the senior cohort (CMHC, 1989, 1996; Statistics Canada, 2001). By the middle of this century, it is estimated that more than a quarter of Canada’s population will be 65 years or older, compared to the current 12 percent (Statistics Canada, 1996). This will have important implications for the rental market as pressure for increased housing options for seniors will deplete market availability of affordable and subsidized units.

² CMHC Web Page Accessed March 28th, 2002. <http://www.cmhc-schl.gc.ca/en/News/spba/naapsh2001.cfm>

The increasing number of non-traditional households (lone parents, childless couples, elderly couples, young singles and elderly singles) will also create a greater demand for rental housing. The number of single-person households grew to 25 percent of the population in 2001, and the number of lone-parent families has increased 175 percent since 1971 (Statistics Canada, 1971 and 2001). By contrast, only modest growth is expected among traditional families of husband, wife and children. The rental market will be greatly affected by these demographic changes.

Changes to the labour force will also have consequences for the rental market. If employment growth and economic conditions remain stable, the ability of households to afford rental units should remain constant. However, economic downturns and economic restructuring could result in more people seeking affordable rental options. Given the tight rental market conditions of today, volatility in the economy can intensify the affordable housing shortage.

Trends in rental construction, demographic and household trends, and the urban rental market circumstances point to a number of alarming developments. The gap between market rents (or the rents necessary to make investment in rental construction viable) and the rents that low-income households can afford are expected to continue to widen. Limited choice and the inability of the private sector to meet rental demand without government assistance will continue to be an issue in all cities, but is of particular concern in fast-growth cities like Toronto where the vacancy rate has dipped below two percent. Despite the high demand in most cities across the country, building new units for affordable housing will continue to present challenges as current market rents are not sufficient for buildings to be economically sustainable.

Trends in the rental sector do not illustrate significant regional differences, however, the impact of trends may be different, depending on the region. For example, housing choice in the rental sector is even more limited in many of the smaller rural and remote communities because of the small size of the inventory and the gap between the rents necessary to stimulate rental construction, and what households can afford to pay is even wider. There are two reasons for this wider gap: incomes of households seeking rental accommodation are often lower in rural and remote communities; and, the cost of providing rental accommodation is often higher, particularly in remote communities where construction costs reflect higher transportation costs for materials. This limits the ability of the private sector to provide affordable rental accommodation in smaller rural and remote communities for most households likely to rent to an even greater extent than is true of larger urban centres. Households that rent in these smaller rural and remote communities are even more dependent on units provided with government assistance or on older private rental stock that is often of poorer quality.

3.0 Analysis of Regional and Sub-Market Differences in Canada

In this section we provide a brief summary of the major trends and issues affecting five distinct Canadian sub-markets, as outlined in section one of this report:

- High growth metropolitan centres
- Slow growth metropolitan centres
- Small town Canada
- Rural communities
- The North

Within each section we briefly list the specific trends and issues within each of the major subjects, as they affect these sub-markets. We use the typology to analyze any differences among these trends and issues in terms of how they affect different types of communities in different ways. Understanding the trends and issues within this context helps to inform the assessment of and discussion about future research priorities. For example, trends and issues which affect many different types of sub-markets are likely to be of greater importance in terms of developing future research questions to better understand the housing outcomes they produce. At the same time, we recognize that some of the issues and trends may in fact be the same in two or more categories, but the extent to which they affect different sub-markets may be more a matter of degree or magnitude. There will be some commonalities from one sub-market to the next, but taken as a whole, there are enough differences to warrant at least these five different sub-markets.

3.1 High Growth Metropolitan Centres

This sub-market generally includes many of the Census Metropolitan Areas (CMA) of more than 100,000 population in Canada (e.g., Toronto, Vancouver, Calgary, Ottawa-Hull, and Victoria). Many of the CMAs experience high rates of population growth compared to other smaller urban centres. These communities have a reasonably robust economy, and generally tend to be a destination for new migrants (both international and domestic). This sub-market also includes the more dynamic larger Census Agglomerations (CA) of more than 10,000 population (e.g., Moncton, Barrie, and Brandon), where higher rates of population growth are more prevalent.

Macroeconomic Factors

- Population in-migration, growing job markets, increased housing demand (especially in Ontario and Alberta);
- Record low interest rates in 2000-2002 contributed to increased housing activity;
- Improved homeownership affordability due to lower interest rates and relatively stable house prices in most markets, but purchasing a first home continues to be difficult for many people in high growth centres;

Demographic Changes

- The destination for international and internal migrants continues to be largest CMAs; immigration of younger individuals and families results in higher household formation and housing demand;
- Growth in suburban and fringe areas is continuing;
- CMA's will continue to be major focus of population growth;
- Growth will be strongest in non-traditional households increasing demand for rental accommodation, new equity investment tenure options and new design options for smaller households;
- Continued increase in demographic groups that require affordable housing options (single parents, Aboriginals, new low-income migrants).

Labour Force Changes

- Information technology sectors (the new economy) will contribute to job growth in some cities; these high income positions will generate demand for high end of the market housing;
- Location decisions of "knowledge workers" will impact housing demand distribution;
- Central city location of such jobs (especially in such as Edmonton, Saskatoon, Winnipeg, and Montreal) will generate demand for inner city housing;
- Polarization of labour force (good jobs, bad jobs) will also generate demand for more affordable housing, particularly in the rental sector.

Housing Construction and Renovation

- New housing starts continue to remain relatively high;
- Housing starts in Western CMAs (except in Saskatchewan) are steadily increasing;
- Lifestyle project and gated communities are growing;
- There is a need for extensive renovation and upgrading of the rental stock.

Cost of Housing

- Strong housing markets are defined by steadily increasing housing prices (Ottawa-Hull, Calgary, Edmonton);
- Prices of serviced lots are rising (Ontario, Alberta);
- Higher prices for labour and materials may be offset by lower costs of new technology used for production purposes;
- Partnerships providing affordable housing are expected to increase (multi-party funding approaches).

Financing Mechanisms

- With aging of the population and the increasing number of empty nesters and seniors with equity, there will be an increase in demand for equity investment tenure options;
- With an aging society there will also be a need for financial mechanisms that allow people to remain in their own homes and access services, pay for maintenance and home care.

Municipal Infrastructure

- There is a need for extensive investment in upgrading of existing infrastructure; funding this upgrade may increase the cost of housing through the property tax base, development charges etc.;
- There will be a cost associated with moving toward more environmentally sensitive infrastructure (water, sewage upgrades, etc.).

Smart Growth

- “Smart Growth” has not yet been entrenched in general planning and development approaches; tends to be project specific;
- The focus of most smart growth activity is in higher growth urban areas;
- There will be a continued trend toward smart growth in the future to address environmental concerns, reduce the cost of sprawl and address infrastructure changes and costs;
- The risk averse nature of the private sector with respect to new initiatives may require public funding to initiate smart growth development;
- There is a move towards higher density forms of housing, including mixed use developments;
- Consumer skepticism and municipal reluctance to get involved in smart growth initiatives will have to be addressed by research and marketing.

Market Failure

- Greater diversity of housing consumers (e.g., immigrants and refugees, seniors with new needs) will continue, with more consumers needing information about housing markets and choices;
- Greater diversity of housing options (e.g., life-lease, condo/strata title, gated communities with their own by-laws), for which consumers often have little or no information available to them about the existence and operation of these options;
- Potential for discrimination in large urban housing markets which attract large numbers of immigrants.

Multiculturalism and Housing Variation

- 74 percent of new immigrants initially settle in the largest CMAs (specifically Toronto, Vancouver and Montreal);
- Business immigrants move primarily into largest CMAs;
- Increasing ethnic diversity generates demand for new design options.

Income Disparity

- Aboriginals with significantly lower incomes will migrate to major urban centres in search of employment opportunities;
- These trends will generate growth in both lower and higher income groups with declining portion of middle class;
- Housing market will also become more polarized: demand will increase for both high end housing and more affordable housing;

- Private sector may have difficulty responding to affordable housing needs without public support;
- Income disparity has gender, ethnic, and household type correlations (e.g., female single parents, migrants, Aboriginals, the disabled, and others fall further behind).

Rental Markets

- Demand is increasing for rental housing based on aging of population, growth in smaller, non-traditional households and immigration;
- Demand is increasing for affordable rental accommodation related to demographic and labour force changes;
- The cost of rental housing production is sufficiently high that market rents charged are higher than what many lower income households can afford to pay, which will make it difficult for private sector to supply affordable rental housing to this group;
- The aging of the existing rental stock will require extensive investment in renovations upgrading;
- The lack of investment in new rental housing is driven by higher returns from other forms of investment, limitations imposed by some regulations in some cities, and uncertainty associated with potential new programs and incentives to stimulate affordable rental housing construction.

3.2 Slow Growth Metropolitan Centres

The communities in this sub-market generally have slower population growth rates and fluctuating economies. These include the CMA and CA urban communities experiencing slower population growth, such as many of the Atlantic Canada (Saint John), Quebec (Chicoutimi-Jonquiere), and Prairie (Moose Jaw) urban centres, as well as some in Ontario (Sault Ste. Marie) and British Columbia (Prince George) outside of the major growth centres. Some of the communities in this category would be retirement communities as well.

Macroeconomic Factors

- Declining job markets, population out-migration and relative decline in personal disposable income decreases housing demand (especially in Quebec, Atlantic Canada).

Demographic Changes

- Population aging is more pronounced as these centres are not significant destination points of younger migrants;
- Slow Growth Metropolitan Centres experience many of the same trends as high growth areas but with reduced intensity.
- Some centres affected by out migration of younger people seeking job opportunities in high growth urban centres;
- Many such centres are focus for retiring seniors (from even smaller centres).

Labour Force Changes

- Overall more modest growth expected in high end tertiary and quaternary (new economy) jobs;
- Some centres affected by declining jobs in manufacturing sector;
- Workforce has more limited skills.

Housing Construction and Renovation

- New housing starts continue to be below historical levels (Quebec) and remain steady (Prairies) or steadily decline (Atlantic provinces);
- The highest concentration of households reporting the need for major repairs is Atlantic Canada;
- There is a need for extensive renovation and upgrading as the stock ages (on average) more rapidly with fewer new starts.

Cost of Housing

- Higher costs of building materials increase the relative material share of the house price (Atlantic Canada);
- Price of serviced lots is rising (Atlantic Canada);
- Decreasing numbers of new, young home-buyers will moderate new home market and re-sale market prices (especially in Atlantic Canada, Saskatchewan and Manitoba);
- Energy efficiency upgrading may increase housing prices.

Financing Mechanisms

- Equity conversion options for empty nesters and seniors will be important;
- Partnerships to produce affordable housing will increase (multi-party funding approaches).

Municipal Infrastructure

- There is a need for extensive investment in upgrading of existing infrastructure. Funding this upgrade may increase the cost of housing through the property tax base, development charges etc.;
- There will be a cost associated with moving toward more environmentally sensitive infrastructure (water, sewage upgrades, etc.).

Smart Growth

- Reduced demand and smaller scale of development may mean less emphasis on smart growth initiatives in these centres;
- The need to address environmental concerns will increase pressure to introduce smart growth.

Market Failure

- Potential for discrimination in housing markets for the relatively small number of immigrants who arrive in these centres.

Multiculturalism and Housing Variation

- Less ethnic diversity than in high growth centres means less demand for rental housing;
- Concentration of Aboriginal households resulting in increasing demand for affordable housing.

Income Disparity

- More modest cost of housing in these centres will moderate effects of labour force characteristics and associated lower incomes;
- Continued demand for affordable housing by lower income households will be a feature of the market in these centres.

Rental Markets

- Demographic, labour force and income disparity trends will combine to generate demand for affordable rental accommodation;
- The gap between rents required to justify rental investment and what households can pay will be significant;
- Aging rental stock needs significant renovation and upgrading.

3.3 Small Town Canada

While there is significant variation within this category (especially when comparing small towns close to large urban centres with those located much farther away), this housing sub-market includes most of the urban centres of more than 1,000 and less than 10,000 population. It does not include small towns which are located in remote parts of provinces, or small towns in the North. Generally speaking small towns have slow or negative population growth, youth out-migration, an older population and decaying infrastructure.

Macroeconomic Factors

- Declining job markets, population out-migration and steadily declining personal disposable income decreases effective housing demand (Quebec, Atlantic Canada, Prairies);
- Continued concentration of business and industry (especially agriculture) into fewer but larger economic or business units, and in fewer, more centralized locations.

Demographic Change

- Many centres (Atlantic Canada and the Prairies) are experiencing out migration and population decline; others are characterized by modest growth;
- Young families and young individuals are most common out migrants;
- Small towns are characterized by population aging and growing proportion of seniors; communities with health care services become retirement centres;
- The limited demand for housing is generated by seniors, some young professionals and low-income families and individuals;
- There is a shortage of affordable rental housing in many centres.

Labour Force Changes

- Job opportunities are declining;
- The existing growth is often in the low wage service sector;
- Many jobs are, and will continue to be, seasonal.

Housing Construction and Renovation

- The highest concentration of households reporting the need for major repairs is in Atlantic Canada;
- The aging housing stock is in need of energy conservation upgrades and general improvements;
- Manufactured housing (especially “ready-to-move” and mini homes) is an important component of the housing stock in some areas.

Cost of Housing

- There is lack of equity appreciation; resale value of houses may be lower than cost of construction in some centres (building costs rise but resale markets remain flat or decline);
- Land costs are more modest than in larger centres, but other construction costs may be as high or higher.

Financing Mechanisms

- In some centres there is a demand for equity conversion options for an aging population;
- There is need for flexible financing options to produce affordable rental housing.

Municipal Infrastructure

- There will be on-going need to upgrade aging sewer and water treatment facilities;
- The local tax base in most communities cannot adequately fund necessary upgrades;
- There is need to move toward more environmentally sensitive types of infrastructure.

Smart Growth

- The limited growth in most communities reduces the importance of smart growth initiatives;
- The limited demand reduces potential to introduce and/or finance such initiatives;
- Small town centres grapple with lack of growth issues as opposed to type of growth.

Market Failure

- There is a general lack of market information about housing markets (e.g., average MLS sales volume and values, average rents, vacancy rates, trends in starts and completion) to assist consumers making housing choices;
- In some small towns where new housing options (e.g., life leases, condominiums) are being introduced, consumers lack information and education about how they operate;
- Lack of activity by major builders and limited numbers of lenders removes a source of information that is available in larger communities, so there is a greater need for public

agencies to provide information to consumers related to considerations associated with home purchase and rental options;

- Limited housing choices or availability in most small towns may lead to discrimination for the small number of immigrants who may seek to live in small towns.

Multiculturalism and Housing Variation

- Minimal issues related to multiculturalism and housing variation as immigrant populations are not as prevalent in most small towns;
- Some small towns have a high proportion of Aboriginal people.

Income Disparity

- The high proportion of low wage jobs, seasonal work and limited numbers of professional positions will continue to keep average incomes low in small towns;
- There is limited flexibility to absorb housing cost increases or pay the rents necessary to make investment in rental housing viable;
- There are significant income differences between incomes of professionals (health care for example) and other labour force types in small towns.

Rental Markets

- There is modest demand for affordable rental housing but gap between rents required to stimulate investment and what households can afford to pay is significant;
- The limited demand also increases risk involved in residential rental investment.

3.4 Rural Communities

This sub-market includes the unincorporated places plus the incorporated centres of less than 1,000 population. Again, there is significant variation within this category (e.g., there are differences between communities located reasonably close to large urban centres and those which are much further away). These communities are characterized by youth out-migration, a lack of land use planning, many land use conflicts, housing markets with limited or no demand, and other demographic and economic challenges such as population loss and closure of businesses and associated job losses that reduce the demand for housing.

Macroeconomic Factors

- The housing markets in communities with export-oriented or primary sector economic activity is influenced by, and fluctuate with, changes in the global economy.

Demographic Change

- Most rural areas (particularly Atlantic Canada and the Prairies) are characterized by population decline, an aging population and age specific migration (younger people) from rural areas;
- Demographic change will result in housing disinvestment as opposed to investment;

- Rural First Nations Reserves illustrate a substantially different demographic profile: a younger population, significant population growth and household formation, and high demand for housing.

Labour Force Changes

- Job opportunities are declining as primary sector (particularly agriculture) mechanizes and modernizes;
- Many jobs are seasonal;
- Wages are relatively low.

Housing Construction and Renovation

- The highest concentration of households reporting the need for major repairs is in Atlantic Canada;
- Housing stock is being abandoned as population declines, especially in resource-based economies (e.g., farm amalgamations or sales; outport fishing communities close; mining resource exhaustion);
- There is evidence of self-build housing in some areas and increased use of modest manufactured housing (especially “ready-to-moves” and mini-homes) in other areas.

Cost of Housing

- There is no growth in value of homes on resale market;
- The cost of new housing construction rises with new energy and servicing standards.

Financing Mechanisms

- There are some problems obtaining mortgage funds and mortgage insurance for new home construction on farms.

Municipal Infrastructure

- Rural municipalities are faced with upgrading of municipal roads and waste disposal facilities;
- Funding is a problem;
- Planning for solid waste disposal, water treatment, and sewage treatment must address new environmental regulations.

Smart Growth

- Smart growth is not an issue in rural areas.

Market Failure

- Lack of activity by major builders and limited numbers of lenders removes a source of information that is available in larger communities, so there is a greater need for public agencies to provide information to consumers related to considerations associated with home purchase and rental options.

Multiculturalism and Housing Variation

- Only 4 percent of most recent immigrants settle in rural areas, so there is limited impact of immigration on rural areas.

Income Disparity

- Income is very low for seasonal workers and Aboriginals on Reserves;
- Incomes are declining in some resource-based communities, especially in agriculture.

Rental Market

- Affordable, adequate accommodation for seasonal farm workers is an issue in fruit and specialty crop areas.

3.5 The North

This sub-market covers the three northern territories and the northern parts of most provinces (i.e., Labrador, northern Quebec, parts of northern Ontario, northern Prairies, northern British Columbia). Generally speaking there are infrastructure and housing construction challenges associated with building in a cold climate. While population centres are few, dispersed, and small, the fastest growing population in Canada can be found in many northern communities: the Aboriginal population.

Macroeconomic Factors

- Some resource-based centres are dependent on global markets;
- Most communities are isolated or peripheral with a limited economic base.

Demographic Change

- Demographic change illustrates a bi-modal pattern. There are higher growth rates, younger population, larger families and higher household formation rates among Aboriginal Peoples. There are much lower growth rates and modest household formation for non-Aboriginal people;
- There is out migration to southern, larger urban centres;
- Aboriginal settlements are experiencing high levels of housing demand;
- There is significant growth in low-income single parent and two parent family households;
- There is evidence emerging of a growing number of seniors.

Labour Force Changes

- There are limited job opportunities and very limited job growth in most communities;
- The job opportunities will reflect the economic strength of the primary sector: mining, forestry, etc. and growth in tourism;
- There are bi-modal labour force characteristics with better than average salaries in medical, education and high tech, and management positions in the primary sector. There are low wage, seasonal jobs in service and unskilled primary sector positions;

- Some centres' labour forces have high concentrations in the government services sector.

Housing Construction and Renovation

- A limited labour pool and dependence on shipment of construction materials continue to drive up prices;
- New technologies for building in the North change housing development patterns;
- There is a high need for renovation as larger households and climatic conditions cause more rapid deterioration of the housing stock.

Cost of Housing

- Costs continue to rise based on labour and materials;
- There is little or non-existent market-value appreciation.

Financing Mechanisms

- Innovative financing options are needed to produce affordable family and rental housing.

Municipal Infrastructure

- Investment is required in more energy efficient and environmentally sensitive options.

Smart Growth

- Housing design and construction and settlement planning in general are moving toward more environmentally appropriate and cost effective forms.

Market Failure

- Lack of activity by major builders and limited numbers of lenders removes a source of information that is available in larger communities, so there is a greater need for public agencies to provide information to consumers related to considerations associated with home purchase and rental options.

Multiculturalism and Housing Variation

- There is continued need for more culturally sensitive housing design and housing components (systems) in the North.

Income Disparity

- Income disparity is generally related to Aboriginal (lower incomes) versus non-Aboriginal (higher incomes) differences in income.

Rental Markets

- There is growing demand for rental accommodation for families, individuals and in some centres employees (transient) in professional positions (teachers, nurses, law enforcement);
- The market gap is a serious disincentive to private investment. Public subsidies are necessary to stimulate more rental construction;

- There will be a need for more seniors rental housing as the population ages and the extended family tradition weakens (thereby reducing family care of elders).

4.0 International Perspectives on Trends and Issues

In this section we provide a short overview of the major issues and trends affecting housing and consumer markets in four international countries:

- Australia
- New Zealand
- United Kingdom; and
- United States of America

This overview provides a context for understanding the similarities and differences with trends and issues identified in the Canadian context. These brief overviews are not intended to be exhaustive or comprehensive in nature. Instead, they provide a background for understanding potential international linkages, and for informing our later discussion on research priorities.

4.1 Australia Overview

Housing markets, and consumers of housing, have faced significant change in Australia over the past decade. A number of socio-economic trends are responsible for significant transition in the marketplace which is affecting the housing choices and options available to Australian households. Many of the trends parallel those in Canada and other developed countries such as the United States and Great Britain.

The Australian population growth rate is declining and birth rates are falling, although fertility rates remain higher than their Canadian or American counterparts (Yencken and Porter, 2001). Household size has fallen and is projected to continue to fall. The rate at which households dissolve and re-form again is increasing as divorce rates and the rate at which people re-marry rise. In spite of high levels of re-marriage the number and proportion (of all households) of single parent households is increasing. The population is aging and single person households are on the rise. The traditional nuclear family is in decline, while childless couples, singles and other non-family arrangements are becoming more common. Growing ethnic diversity and an increasingly multi-cultural society, are also placing new demands on and providing new challenges for the building industry, particularly in the area of house design

These trends characterize the mainstream population in Australia but there are groups in society who do not fit this pattern. Aboriginal households, and some new immigrants, have considerably different characteristics: larger household and family size; and younger population profiles. Aboriginals also have much higher levels of family breakup and single parent (usually female led) households. Levels of family formation, and hence housing demand, tend to be higher for these groups.

Overall, these demographic trends dictate a continuing, but more modest demand for housing. They also dictate a need for an expanded range of housing options: for single individuals, elderly individuals and couples, childless couples and career focused professionals. The standard three bedroom bungalow on the single lot (so long the dream of most Australians) is less suited to the needs, aspirations and life-styles (less family focused) of many of these non-traditional households. Smaller homes, different tenure options (such as condominiums or life leases), different locations (inner city as opposed to suburban) and homes with design features to accommodate non-traditional households and aging populations are in greater demand (O'Connor and Healy, 2001).

Although demographic trends are important, access to meaningful, long-term and secure employment is the most important factor affecting consumer confidence and housing markets in Australia (Kupke and Morano, 2001). Opportunities for secure, full-time work are declining alongside rapid growth in casual or part-time work. Between 1973 and 1993, part time jobs grew by 164 percent while full time jobs grew by only four percent. Labour force changes parallel those of many other nations, with declining unskilled and blue collar positions in primary resource and manufacturing industries and growth in unskilled service occupations and skilled high paying jobs in information technology, finance and other sectors of the new economy. Employment, and therefore incomes, are less equally distributed, with growth in both the high end and very low ends of the income spectrum, and a hollowing out of the middle. The growing gap between the rich and the poor is a social trend of deep concern.

The general uncertainty with respect to job security is reflected in public opinion polls with a majority of Australians feeling things are getting worse over the past five years. This is reflected in weak consumer confidence. To stimulate confidence in the housing market, the government recently introduced a program for first time buyers, providing grants up to \$16,000 (Australian) for the purchase of a new home with \$7,000 (Australian) for an existing home. There is no restriction on income or location.

Given this labour force and economic reality, certain groups in Australia bear a disproportionate amount of the burden of unemployment, job insecurity, casual and part-time work. Associated with this burden are poverty, homelessness, inadequate housing, lower levels of education and poor health. People more likely to fall into this category include Indigenous People, newly arrived migrants, young people and those living outside major urban areas. Indigenous Australians continue to bear the greatest burden of economic and social disparity.

The changes in the labour market are having a significant impact on home ownership (Kupke and Morano, 2001; Maclennan et al., 1997). Australia has had one of the highest rates of home ownership in the world (70 percent in 2000), but the percentage of owners is now beginning to decline. The trends toward short-term and less secure employment are forcing people to re-think the merits of ownership. The need for greater mobility because of more frequent job changes is also resulting in an increased tendency for households to live in the private rental sector. Single income households find it increasingly difficult to purchase a home as housing prices and

borrowing arrangements reflect the purchasing power of dual income households. With ownership becoming less attractive (or less possible), the demand on the private rental sector is increasing, triggering a rise in rental rates and a lowering of vacancy rates. Those at the lower end of the market are being displaced, increasing the level of homelessness and the pressure on public housing.

Housing trends in Australia illustrate significant regional differences and the description above more accurately reflects the metropolitan as opposed to non-metropolitan experience. Populations are in decline in rural and small town Australia, as people, particularly young singles and families, leave for employment in the larger metropolitan centres. Investment in housing is falling, and many households are facing entrapment as property values fall below personal equity in their homes. The Indigenous population, more concentrated in rural regions, lacks access to quality housing, and basic infrastructure and overcrowding are significant issues.

On the environmental side, growing problems of air and water pollution in urban areas, the loss of urban biodiversity, loss of and disruption to urban wetlands, soil contamination and growing problems associated with disposal of solid waste are increasing the cost of housing and urban development. This has initiated interest in smart growth policies with an emphasis on increasing densities, residential intensification (infilling) in older residential areas and better integration of public transportation and residential development.

4.2 New Zealand Overview

New Zealand has traditionally experienced increasing home ownership coupled with low-cost rental housing. However, many factors are contributing to a change in this situation. The major trends and issues in New Zealand are: aging of the baby boomers; increased cultural diversity; continued urbanization with Auckland becoming home to a greater share of the population; migration volatility (considerable variation across regions within the country); and early signs of a major transition away from home ownership by the children of the baby boomers. The Government's shift in the early 1990s from a mixed delivery of housing assistance through subsidized public housing and income support to one of providing income support alone, by way of the Accommodation Supplement, has affected the nature of housing as well. More low income households are finding it difficult to find suitable housing. Furthermore, there has been an acceleration of house prices in comparison to income, placing homeownership out of reach of increasing numbers of households. The summary which follows is drawn from **New Zealand Now: Housing**, unless otherwise noted.

Urbanization and Migration Volatility

While population growth is expected to slow over the next five decades, there has been a high level of internal migration and large flows to and from New Zealand. These changes are influenced by the “Auckland drift”, the emergence of new industries, availability of local

resources and lifestyle factors. Together these factors influence the propensity to migrate within (mostly to Auckland) and out of New Zealand.

The rate of growth in the number of private dwellings varies considerably by region. In general, areas that experienced high net population growth (in and around Auckland) also experienced high growth in dwelling numbers, whereas areas with little population growth experienced lower dwelling number increases.

Urban/Rural Changes in Housing Stock

The number of private dwellings in New Zealand increased 18 percent between 1986 and 1996. The highest rate of growth occurred in rural areas near Auckland and other major urban centres, mainly because more people made lifestyle choices to live outside urban areas.

Tenure

Newer generations of New Zealanders, both the young and the recent migrant communities, are experiencing different patterns of housing tenure, which suggests a possible reduction in the home ownership ethic. In 1996, 41 percent of 20 to 34 year olds lived in rented dwellings, up from 35 percent in 1986, suggesting that more households in this age group delayed buying their own home (with a mortgage) and remained renting in 1996 than in 1986. Possible reasons for this increase toward choosing rental accommodations could be newer generations starting their careers with student loan obligations, a return to later forming of couple households, later childbirth and more child-free couples. In total, the proportion of households renting increased slightly from 24 percent in 1986 to 25 percent in 1996. The proportion of household renters is expected to rise in the coming years.

The fall in the proportion of people living in homes owned with a mortgage can be attributed to three factors: house price increases (fewer households choosing homeownership); a shift to more single-income households (this occurred in the 10 years to 1996, both as the result of later marriages and an increase in the number of divorces, so there are fewer households choosing homeownership or more households moving out of homeownership); and older households paying off their mortgage and now living mortgage-free.

Demographic Issues

Aging of New Zealand society is an overriding issue driving many of the changes in housing demand. This effect is interwoven within a number of different household types, described below.

- One-person households: One-person households increased by 31 percent in the 10 years to 1996. The propensity to live alone increases with age. The 30 to 54 years age group accounted for the largest increase. The very elderly (aged 85 years and over) also became more likely to live alone, increasing from 47 percent living alone in 1986 to 54 percent by 1996. Changes in healthcare and home support services are among the factors that have enabled more elderly people to stay in their own homes rather than go into residential care.

- **Couple-with-children households:** The most common household composition is that of the nuclear family with two parents and their children (with no other people present). As a proportion of all households, couple-with-children households fell from 38 (1986) to 31 percent (1996). The average number of children in this household group also fell. The housing needs of this group are therefore changing.
- **Couple-only households:** Childless couples living in a dwelling on their own increased by 24 percent between 1986 and 1996. One of the effects of population ageing is the increase in households where children have grown up and left home. Another factor in the increase in couple-only households is a trend toward delayed childbearing, or the decision not to have children at all.
- **Multi-family households:** The occurrence of two or more families sharing a home almost doubled in the 10 years to 1996, but they accounted for only 3 percent of all households. The proportional increase was highest for the Asian ethnic group, at more than 500 percent, and half were new immigrants.
- **One-parent households:** One-parent families living on their own increased their share from 8 to 9 percent of all households, over the 10 years to 1996. In the same period the number of households in this category increased by almost 30,000 (35 percent).

Cost of Housing

The housing costs faced by households differ by tenure type, region and the household's housing needs. Housing costs have been rising faster than other costs. For example, between December 1988 and December 1997 the Consumer Price Index (CPI) increased by 28 percent. However, the housing index of the CPI rose by 48 percent. Higher housing prices resulted in greater expenditure on housing in nominal terms and as a proportion of total household spending. Between 1988 and 1997 average weekly household expenditure on housing increased from 21 percent to 25 percent of total spending.

Several factors caused the housing component of the CPI to increase by more than any other component during this period. At the national level, one factor was an increase in rent levels due to a government policy shift away from subsidized rents and mortgages to assistance in the form of an Accommodation Supplement (Thorns, 2000). Another major factor was the increase in housing costs in the Auckland region due to demand pressures in this area. Because of Auckland's large population in relation to the rest of the country, it is heavily weighted in the CPI housing component.

Private and State Sector Rentals

Between 1991 and 1996, the proportion of households renting changed only slightly from 23 to 25 percent; however, there was substantial change in the ownership structure of rental properties. The proportion of renter households with state sector landlords dropped from 36 percent in 1991

to 28 percent in 1996. Correspondingly, the proportion of renter households with private sector landlords rose from 64 to 72 percent. As the government moves out of the direct provision of rental housing, it is remaining a provider for mostly low income households: most of the households renting from the state sector had incomes of \$20,000 or less. There was a more even distribution of households across all income groups renting from the private sector.

Thorns (2000) suggests that lower income households now have fewer choices for housing due to the way in which the market has responded. There has not been a large increase in low-cost units. The State objective of reducing marginalization by increasing housing choice for low income households has not been met. For this to be achieved, the level of the supplement would have to be raised and the market would have to create more low-cost housing units, more units of smaller size. Thorns suggested that the creation of new forms of housing provision, such as community trusts, self build, sweat equity schemes and housing associations may be required to provide more housing choices for low income households.

4.3 United Kingdom Overview

The housing situation in the United Kingdom is very similar to that of other developed nations. The most recent Survey of English Housing (DTLR, 2001) found that:

- 27 percent of households own their homes outright;
- 42 percent have a mortgage;
- 21 percent of households are in the social rented sector (of these, 41 percent are single persons, 16 percent are lone parents, and only 25 percent work full time); and
- 10 percent of households rent in the private sector (and these households have average incomes twice that of the social rented sector tenants).

It also found that one-third of ethnic minority households live in the 10 percent most economically-deprived neighbourhoods, and that these areas also have a higher incidence of lone parents and more rented dwellings.

Many of the demographic issues related to aging and immigration are similar to those of other developed countries, as are the impacts and effects of changing economic, financial, and monetary circumstances. For example, the Department of the Environment and Welsh Office (1995) identified the most important socioeconomic trends affecting housing: longer life expectancies, more aging in place, smaller family groups, new patterns of work, and changes in traditional roles in the workforce. MacLennan (1995) notes that some of these trends have more local and regional impact than others. For example, he notes that growth in population, income and the economy is greater in the South/London area, have had a more significant effect on housing markets in that area than in others, as more people are moving up to larger houses or change from renting to owning.

Rising Cost of Homeownership

Meikle (2001) notes that house prices in the UK have risen at a higher rate than that of other commodities and services. The primary factor has been the rapidly rising cost of land. The rise in construction prices has been fairly consistent with the rise of other costs. Carter and Hoehn (2000) note that there is currently a modest to strong demand for housing fueled by move-up buyers and young professionals, despite the fact that house prices have been increasing modestly but generally rising more rapidly than incomes. In the recent past, demand for home purchases has been sustained by historically low and stable interest rates. There is significant regional variation in market conditions with London and the south of England being a “hot market”. Demand in this area is driven by migration to so-called “new economy” jobs located mainly in London and the surrounding area. Ireland has experienced a similar situation but on a more modest scale. In other areas prices have not increased to the same extent.

Further research (Anonymous, 2000b) shows that current housing market conditions in 2000 are fundamentally different from those of the late 1980s and early 1990s, when there was a sharp rise in home buying followed by a decline. Another rapid rise in home buying is unlikely to be repeated any time soon as the rate of income increase has not kept pace with increases in housing prices to the extent it did in the 1980s. The level of house sales attained in 2000 is likely to be sustained unless a greater proportion of the population seeks to buy a house, as happened in the 1980s, or more people want to move. The primary factor here is that in the late 1980s there was a sharp increase in the number of people in their twenties buying a home, a trend that was promptly reversed in the early 1990s. Today, younger people are more likely to put off buying their first home, because many graduates are beginning their career with student debt.

One of the fallouts from the problems experienced by homeowners who overextended themselves in the late 1980s is that many had postponed having more children because of the uncertainties surrounding the market value of their home. (Forrest et al., 1999) However, many in the UK still state that homeownership is preferred over renting.

One of the groups most affected by rising housing costs are women-led households. Christie (2000) shows that they are constrained by limited employment opportunities and are more likely to find themselves with mortgage defaults and financial problems. A downward pattern of residential mobility into the social rented sector is often the result. The outcome is greater exclusion from neighbourhood or local community activities or from family and friends, as well as from opportunities in education, training and employment.

General Economic Issues

Many households have been relying on borrowing to finance consumption growth in excess of disposable income growth since 1996. The household saving ratio in 2000 fell to its lowest level since the late 1980s. This is coupled with rising oil and fuel costs, steady inflation, and low interest rates. The net effect has been a recent decline in house sales, and a decline in the number and value of loan approvals for mortgages. (Anonymous, 2000a)

Planning Issues

Research by Hull (1997) suggests that local planning systems in the UK have no authority or power to implement sustainable development approaches to the provision of affordable housing due to the overt pressures placed on market driven development (which is consuming most of the developable land), the opening up of transportation corridors, and expanding business locations. Thus the ideals of urban containment and green belt development are pushed to the side. The resulting outcome has been a dearth of affordable housing and migration of low income households in search of social rented housing. Kleinman (1999) notes that the “social exclusion” problem (the geographic separation of households from different social and economic classes) is also being driven by the government’s administrative allocation processes in the social sector, which has concentrated social rented housing in specific neighbourhoods. Planning policies at a larger regional level have opened up new developments in less densely populated areas, enabling those with the means to do so to move out to neighbourhoods with better social and economic conditions. In short, the recent trend in the UK has been to less diversity within urban neighbourhoods and communities. Kleinman believes that the longer-term objective must be to ensure that these areas are acceptable to a wider range of households living in all types of tenure, as this helps generate sustainability and equity.

An emerging area of interest both nationally and locally is that of urban renewal and the use of previously developed land and existing buildings in urban areas for new housing developments. (DTLR, 2000a) There is growing concern that there has been too much new development on “greenfield land”, land that has not previously been used for any development purposes. This practice destroys existing landscapes and requires new and expensive infrastructure for servicing purposes. There is potential for an additional 18,000 to 26,500 units per year between 1999 and 2016 to be added to the stock by simply encouraging development within existing built environments. The potential for changes of use to housing (from other uses such as commercial) is concentrated in the larger towns and cities. The potential for subdivision and redevelopment is concentrated in Greater London and in areas within commuting distance to London and the historic, university and resort towns of the south. The potential for redevelopment is concentrated in areas where there is a combination of houses in large plots and strong demand for rented accommodation, mostly outside town and city centres in the areas lying around the edge of larger cities.

Rural Housing Issues

The UK government has been examining the pressures on rural areas as a result of changing housing markets. An examination of four case studies (DTLR, 1998) in rural areas near larger urban areas has found that in-migration to rural areas is significant and that the primary reasons for moving are job related. The overall increase in the total number of housing units is due primarily to new development for owner occupation, rather than resulting from conversion, development of social housing, or privately rented housing. While there are planning provisions to protect the rural countryside from increasing development pressures, particularly within Areas of Outstanding Natural Beauty (AONBs), development has been happening on a significant scale. However, in the four case study areas, most development has been on in-fill sites within villages and has not resulted in settlements expanding into open agricultural land. Housing

choice in rural areas is becoming more limited. The total volume of rented accommodation has declined, particularly the social rented units. This, along with a rise in homeownership prices, has created affordability problems and has resulted in some involuntary out-migration of lower income households as they seek areas where they can afford to live.

It is expected that demand for housing in rural areas is likely to increase. Projected household growth, technological and economic trends, and the fact that for many reasons people wish to live in the countryside, are the driving factors. The price of housing in rural areas is likely to continue to increase, and there will be an ongoing problem of affordable housing in rural areas.

4.4 United States Overview

Housing markets and consumers of housing have faced significant change in the United States over the 1991-2000 decade. A number of trends are responsible for transition in the market place which is affecting the housing choices and options available to American households. Many of the trends parallel those in Canada and other developed countries such as Australia and Britain.

The population growth rate in the United States is declining, and birth rates are falling, although there is considerable variation by ethnicity. Fertility and growth rates are higher for Blacks and Hispanics and much lower for Caucasian households. Overall, household size has fallen and further modest decline is expected over the 2001-2010 decade. The rate at which households dissolve and re-form is increasing as divorce rates and the rate at which people re-marry rise. In spite of high levels of remarriage, there is a growing population of very low income single parent households (Joint Center for Housing Studies, 1997).

The population is aging, and single person households are on the rise. The traditional nuclear family is in decline, while childless couples, singles and other non-family arrangements are becoming more common. Minorities (Blacks and Hispanics) are the fastest growing segment of the population, but foreign-born households and their children also continue to account for a significant share of household growth. The baby boomers will continue to dominate the housing markets over the 2001-2010 decade, and a growing number of seniors will also be a major influence. The increasing ethnic and multi-cultural diversity of society is providing new challenges for the building industry, particularly in the area of house design (Joint Center for Housing Studies, 1998, 1999).

Overall, these demographic trends dictate a continuing demand for more housing. The number of households will increase by an average of 1.1 to 1.2 million annually from 2001 to 2010, adding to the 100 million plus that already exist. Changing demographics also dictate a need for an expanded range of housing options for non-traditional nuclear family households: for single individuals, elderly individuals and couples, childless couples and career focused professionals. The single detached home on the single lot in the suburbs (the American Dream) is less suited to the needs, aspirations and life-styles (less family focused) of many of these non-traditional households. Smaller homes, different tenure options (condominiums, life lease, etc.), different

locations (inner city as opposed to suburban) and homes with design features to accommodate non-traditional households and aging populations are in greater demand. The demand for home modifications to deal with the infirmities of an aging population will also increase (Joint Centre for Housing Studies, 2000).

Home sales reached a new peak in 2000, and the value of residential construction hit an all-time high. Housing starts were at their highest level in more than a decade, and the pace of construction was expected to hover around this annual level over the next decade. Prices and rents continued to increase, but low interest rates, combined with reasonably strong demand, helped housing markets stay strong. Fueled by the baby boom generation, the strongest demand is expected to be for larger, well-appointed homes over 2001-2010. The addition of more than 16 million new homes over the 2001-2010 decade, combined with the aging of the overall stock, will serve to boost spending on home improvements, repairs and alterations. Studies highlight the fact that there are over 3.2 million owner-occupied dwellings that are at risk of loss due to structural inadequacy and/or under maintenance and an additional 3.1 million renter-occupied units in the same category (Joint Center for Housing Studies, 1999, 2000).

Over the 2001-2010 decade, household growth is expected to account for about 70 percent of the demand for new housing. The other 30 percent is attributed to replacement of housing lost to abandonment (concentrated in inner city areas), disaster loss (which appears to be on the rise) associated with more turbulent weather characteristic of global warming, expansion of the second home market, the increasing number of vacant units in the inner city areas and vacancies required to accommodate the increasing number of turnover movers (Joint Centre for Housing Studies, 1999).

Mortgage interest rates and, until the terrorist attacks of September 11, 2001, unemployment levels were at their lowest levels since the 1960s, so the national homeownership rate climbed to a record 67.8 percent in 2001 (Joint Center for Housing Studies, 2002). Home ownership has become a reality for more Americans than ever (U.S. Census Bureau, 1999). Heavy mortgage refinancing activities, because of lower interest rates, has put more money into consumers' hands. For over three million households, cash was freed up as a result of lower mortgage payments. Increasing home values in association with refinancing also means homeowners have greater equity against which they can borrow. Borrowing against home equity in the form of second mortgages and lines of credit has surged. Some homeowners have used these equity loans to pay off higher interest debt, but others have used them to purchase other goods and services contributing to overall economic growth (Federal Reserve, 2001).

Labour force changes over the past couple of decades (1981-2001) parallel those of many other nations, with declining unskilled and blue collar positions in primary resource and manufacturing industries and growth in unskilled service occupations and skilled high-paying jobs in information technology, finance and other sectors of the new economy. The proportion of the labour force engaged in full-time work declined over this period alongside rapid growth in casual or part time work. With growth in both the high end and very low end jobs, resultant incomes are

less equitably distributed across all income groups than they were two decades ago. There is a growing gap between the rich and the poor, although lower unemployment rates in the United States have moderated the effects of these labour force changes to a greater extent than in some countries (Joint Centre for Housing Studies, 2000).

Given this labour force and economic reality, certain groups bear a disproportionate share of the burden of unemployment, job insecurity, casual and part time work. Along with this burden go poverty, homelessness, inadequate housing, lower levels of education and poor health. People more likely to be disproportionately burdened include Blacks and Hispanics, newly arrived migrants, young people and those living outside major urban areas. Indigenous Americans continue to bear the greatest burden of economic and social disparity.

Housing trends in the United States illustrate significant regional differences. The descriptions above more accurately reflect the metropolitan, as opposed to non-metropolitan, experience. Populations are in decline in rural areas and small towns as people, particularly young singles and families, leave for employment in the larger metropolitan centres. Investment in housing is falling in these communities. The Indigenous population, generally more concentrated in rural regions, lacks access to quality housing, and the lack of basic infrastructure and overcrowding are significant issues.

Significant housing growth has increased concerns about the pace and pattern of development. Most of the construction is medium and low-density development occurring in fringe areas outside of metropolitan boundaries. This growth is not characteristic of sustainable development as it is increasing the geographic pattern of sprawl which, in turn, is increasing the overall cost of providing infrastructure, the public and private cost of transportation and the cost of housing (Barrette, 2001; Natural Resources Defence Council, 2000). It is also continuing the flight of moderate and higher income households from central city areas where populations continue to decline and the higher end of the tax base continues to erode.

Unless aging baby boomers and their children reverse the century-long trend of decentralized development, home building activity will remain concentrated in fringe areas. This trend of increasingly development on the outer edges of cities is likely to continue unless key issues such as school quality and public safety in inner city areas are addressed. While suburban and fringe areas continue to attract population from inner cities, there are signs that this trend is reversing. Boston, New York and Chicago, for example, are experiencing significant movement back to the inner city. This movement is fueled to a certain extent by foreign immigration but also by young professionals, empty nesters still in the workforce and people who have come to dislike the exhausting and expensive daily commute.

Concern centering on overall housing and development trends has stimulated interest and activity in smart growth initiatives, which are beginning to counteract the economic and environmental effects of sprawling low density development. These initiatives, however, still tend to be project focused, as opposed to being applied to development in general. More large urban centres are engaging sustainable development through renewed efforts to increase the use of public

transportation. Despite these initiatives, growing problems of air and water pollution in urban areas, the loss of urban bio-diversity, loss of (or damage to) urban wetlands, soil contamination and growing problems associated with disposal of solid waste are increasing the cost of housing and urban development (Barrette, 2001; Natural Resources Defence Council, 2000).

The enduring strength of the United States housing market is expected to add to the affordability problems of low income households. House price inflation is already making it more difficult for marginal borrowers in some areas to save enough to buy a home. With housing costs on the rise, expanding the supply of affordable housing and preserving the existing subsidized stock will be especially important challenges. At this point in early 2002 it is too early to predict what effect the events of September 11, 2001 will have on these trends but it is certain that it has affected consumer confidence and this in turn will result in changes in the housing market.

5.0 Priorities for Future Research

In this section we provide recommendations for future research on issues and trends affecting housing and consumer markets in Canada, particularly as they relate to informing a national housing research agenda. These priorities were developed from a synthesis of various trends and research gaps identified (summarized in Appendices A and B), and are based on the following principles:

- the importance the issue or trend is given in the literature, particularly as a driver of (the) housing market(s);
- the potential of the issue or trend to be important in a number of sub-markets and geographical regions;
- the gaps in research on the issue or trend that are apparent;
- the potential to actually carry out a research project on the priority issue (i.e., the topic can actually be researched and is not so general or esoteric in nature; the data exists or is possible to collect; it is financially feasible to carry out the research, etc.);
- the potential for having a major impact in terms of new knowledge creation or developing new avenues of inquiry and investigation; and
- the potential to have an impact on or influence public policy.

Nine priority research questions have been identified and are discussed below. In addition to stating the specific question a discussion of the circumstances associated with the issue is provided as is the rationale for identifying the question as a priority. The ten questions have not been prioritized but the table following the discussion of the questions indicates the particular criteria applicable in identifying these questions.

Question One

Assess the effect of Aboriginal population growth and migration on the Off Reserve demand for various housing options and associated support services.

Discussion

Considerable research has focused on the movement of the Aboriginal population from Reserves and small communities to urban centres (Norris and Beaven, 2000, CMHC, 1996). There is reasonably good data on who moves and why (Social Planning Council of Winnipeg, 2001, Clatworthy, 2000). There is less information on the nature of the “churn” that occurs in urban centres. Poor housing conditions are often a key reason for the move, and people hope to find improved housing circumstances in urban communities. Many Aboriginals find, however, that the move to urban centres does not allow them to access the quality affordable housing they need (Norris et. al, 1996, Kerr et, al, 1996).

Rationale

Although some research has focussed on the housing circumstances of Aboriginals living in urban centres more work is required on the housing circumstances of recent arrivals. What housing options are they accessing? What proportion are living temporarily with families and friends? What types of housing do they need, what can they afford? What particular household groups are disadvantaged? What housing support services are required to address the needs of households? Does discrimination play an influential role in the housing problems facing Aboriginal people? Answers to these as well as other questions are crucial to addressing the housing needs of Aboriginals moving to Canada's urban communities. Access to adequate, secure, and affordable housing can be an effective first step in facilitating access to other services Aboriginal households require to improve their quality of life. Unless a stable housing environment is established efforts to improve education, health, skills development and employment opportunities are difficult. Reducing the "churn" or constant mobility within the urban centres that has been documented (Clatworthy, 2000, and Norris and Beaven, 2000) improves access to other required services.

This research issue has strong connections to other policy areas including health care, education and employment. There is also a strong relationship to poverty alleviation initiatives, the Federal Urban Aboriginal Strategy and indirectly to On-Reserve housing policies as reducing the back and forth mobility from urban centres to Reserves affects housing demand on Reserves. The research is also applicable over a number of sub-markets as Aboriginal migration destinations include both high and slow growth metropolitan centres and small communities. Although census material and data from the Aboriginal survey as well as the growing body of existing literature will provide necessary background material, additional survey and case study work will be necessary. Although time consuming and costly, work to advance research and knowledge can realistically be undertaken.

Question Two

Polarization of the labour force has resulted in growth in both high end and low end jobs. Assess the short and long term effects of these trends on the housing market in Canada's major metropolitan centres.

Discussion

During the last couple of decades we have witnessed a significant re-structuring of the labour force. Growth has been concentrated in two sectors: the service sector such as the fast food industry which provides low wage opportunities; and, the "new knowledge" economy, financial industry, health care and other professional positions that offer high end salaries (Yencken and Porter, 2001). Many middle income jobs such as those in the manufacturing sector have disappeared. This has had the effect of squeezing people in the middle income range. Some households have benefited by accessing the high end positions, others have been squeezed into the lower income categories. Shifts in the proportion of the population in various income

categories will obviously have an effect on the housing market in both the short and long term. These trends will continue to effect the demand for different types, tenure and price ranges of housing. In some cities there are also important locational characteristics associated with growth in a particular sector of the labour force. New knowledge jobs in some cities often gravitate to city centres or the original CBD and “knowledge workers” often want to live in older residential areas nearby (Florida, 2000; Florida and Gates, 2001). This locational pattern of employment can also have an effect on housing markets, changing the geographic patterns of demand in the city.

Rationale

Although considerable work has focused on the changing nature of the labour force, there has been less research focusing on the implications of this change for the housing market. What effect does the changing nature of the labour force and the associated income re-distribution of the population have on demand for ownership and rental housing? Are the labour force changes significant enough to change the tenure distribution over the longer term? What type of housing design options will be required to accommodate people that are part of these changes in labour force? How will these changes affect the demand for new first time buyer homes? The move up market? Will there be a change in the geographical focus of demand? Will labour force re-structuring result in an increase in demand in central city areas, initiating more higher end housing in some centres and resulting in renewed interest in housing investment and revitalization in others? Will the re-structuring have any significant effect on core need and the demand for affordable housing, particularly in the rental sector? This research issue is most important in the high growth metropolitan centres but also plays a role in slower growing urban centres. Small town Canada and rural areas have not escaped this re-structuring, although they are more likely to be affected by the loss of high end jobs and what growth occurs is more likely to be in the low end categories.

Question Three

Discrimination in the housing market is identified as one aspect of market failure. Assess the extent of discrimination and the current effectiveness of anti-discrimination laws and enforcement regulations and suggest how they might be strengthened.

Discussion

Discrimination against certain population groups such as immigrants (Chambon et al. 1997), Aboriginal people (Spector et al., 1991), low-income households with children (Jackson and Roberts, 2001), female lone parents (CMHC, 2000) and residents with health problems or disabilities (Schiff and Gnaedinger, 1997; Vlug, 1998; Weisberg, 1994), in the housing market has been documented. Discrimination on ethnic (Beavis, 1995), racial (Darden and Karmel, 2000) gender or other identity characteristics are also important access issues (Mason, 1995). Individuals from these specific groups may be denied access to housing of their choice or charged significantly more for the homes they rent or buy. The most significant instances of

discrimination are in access to rental housing (Hulchanski, 1993). With the continued arrival of immigrants and refugees there will be growing diversity in Canadian society. This, as well as continued migration of Aboriginal people to urban centres, will increase the potential for discrimination to occur

Rationale

Although work by Canadian researchers generally indicates that discrimination exists, assertions are often based on anecdotal evidence. There is not a great deal of empirical evidence to document the nature of discrimination. Fair housing audits, like those documented in the U.S. literature, have not been common in Canada. There is also little evidence to document the specific nature of discrimination. There needs to be more work that provides the empirical evidence that actually verifies that discrimination is occurring. Is discrimination actually exercised by refusing to rent to certain households? Is it a situation where they have to pay a premium to access a unit through higher damage deposits, higher rents, several months rent in advance or other aspects that contravene tenant landlord and human rights legislation and other regulatory measures? Only through verification and documentation of the problems will it be possible to assess the effectiveness of existing legislation and suggest how it might be strengthened. This issue is most important for the large, high growth metropolitan centres, as approximately 74 percent of new immigrants initially settle in Canada's three largest metropolitan centres, Toronto, Vancouver and Montreal.

However, Aboriginals are migrating in significant numbers to many slower growth centres such as Winnipeg, Regina, and Prince Albert. Other groups that face discrimination are common to all sub-markets. As well as applicability to a number of sub-markets, discrimination intersects with several other policy areas including child poverty issues, social exclusion and inclusion, integration of immigrant households, social and geographic segregation in urban areas and human rights issues. Although sound methodologies and detailed survey and case study work is required, experience in other countries indicates such research can produce reliable results.

Question Four

Large metropolitan centres as well as many smaller communities will have to cope with extensive expenditures to repair aging infrastructure over the next couple of decades. Assess the short and long term effects on housing affordability.

Discussion

Municipal infrastructure includes the massive networks of roads and transportation systems, sewer lines and treatment plants, water lines and delivery systems, electrical grids, phone lines and other essential operational facilities in cities. This infrastructure is aging and in need of renewal. Several studies have noted the need for renewal and the extensive cost of this upgrading (Diamant, 1995, Kim, 1997). Although the figures in these studies are often dated and provide

only general broad estimates, the magnitude of expenditures required is certainly a significant challenge facing Canada's urban centres. The cost of upgrading infrastructure will depend extensively on the property tax base and development fees and charges. Many of these costs will be directly or indirectly passed on to homeowners and renters.

Rationale

Several studies have focussed on the cost of servicing new peripheral development (Ciscel, 2001) and the need for new urban growth patterns that reduce the cost providing infrastructure (Kim, 1997, CMHC, 1999, 1997 and 1995). These studies have also addressed the savings associated with replacing the current form of peripheral expansion with the new urban growth patterns and the potential for development of more affordable housing options. Less work has focussed on the potential costs that may be passed on to the housing consumer to cover the costs of the renewal and upgrading of the existing infrastructure. How should the burden of costs be distributed between housing consumers, business, and the general tax paying public? What sort of pricing mechanisms can be used to reduce the impact on the housing consumer? What role should the various levels of government play? How should costs be distributed between inner city and suburban tax payers? How will these expenditures affect housing affordability? These are important questions that have to be addressed as the answers will have significant impacts on both short and long term costs for the consumer. This is also an issue that is important throughout the sub-markets identified in this report. It has particular significance for slow growth cities and small communities who have eroding tax bases. In these cities market values are not always generating the property tax revenue necessary to sustain on-going operating costs let alone the cost of significant upgrading.

The significance of research in the area goes beyond the affordability of housing. The results will have significant implications for municipal financing and taxation policy. Although a national study would almost certainly be too expensive to undertake, detailed case study work on selected centres within each sub-market area would be possible. National estimates could be constructed based on case study material.

Question Five

International migration will continue to be a major component of housing demand. Assess the specific housing needs of distinct immigrant and refugee populations, the barriers they face and the opportunities for the building industry.

Discussion

Future population growth scenarios suggest an ageing population and fertility rates that are below replacement level (Statistics Canada, 2001; McVey and Kalbach, 1995). Hence the level of immigration will be key to any future population increase. In addition a viable and buoyant housing market will depend to a significant extent on immigration (CHBA, 1998). However,

immigrants face discrimination (Chambon et al., 1997) and affordability problems (Murdie and Lapointe Consulting, 1986; Ley et al., 2001) in the housing market.

Rationale

With future population growth and housing demand, so dependent on the flow and successful integration of immigrants, research is required to better access the housing needs of immigrant and refugee households, reduce the barriers they face and identify opportunities for the building sector. There is a need for more focused studies which would determine present and future housing needs of refugees and immigrants (CMHC, 1999). These studies must identify preferred housing options, design guidelines, possible programs of assistance and best practice approaches (CHBA, 1998). The housing choices of immigrants must also be tracked over time so that successful integration patterns of various categories of immigrants can be determined (Clayton Research, 1994). Grant (1996), Fong (1997) and Owusu (1999) all suggest the research must include a focus on all immigrant groups, as needs and preferences vary with origin, racial and ethnicity characteristics. Finally, Hiebert and Burnley (2001) suggest research should also extend beyond the usual focus on inner city immigrants to include suburban immigrants.

Only through detailed study of immigrant housing needs and preferences and the barriers they face will effective demand be exercised in the market place.

Although this research issue is most important to the high growth metropolitan sub-market, significance extends to selected centres in other sub-markets – Brooks, Alberta for example. The issue is also significant to other sectors of the economy such as the construction industry. Successful integration of immigrants and refugees is also important to labour force policy and successful implementation of regional growth strategies.

Although secondary sources of data such as the census are useful, primary data will have to be collected through detailed survey and case study work, but this is a manageable area of research.

Question Six

Identify options for enhancing public demand and acceptance of Smart Growth housing and planning options.

Discussion

The suburban expansion of the last several decades has created a new set of problems for cities. Continued, generally low density, expansion at the city's edge has resulted in increasing costs to extend and maintain services like sewer, water, electricity, and transportation infrastructure. Development at the edge has consumed prime agricultural land and replaced valuable wetlands and natural habitat. Increased traffic, associated with longer commutes to work, has increased levels of air pollution (Olson, 2000, Roseland, 1998). Larger homes in many suburban areas also generate a significant draw on resources. Many would argue that continued movement of moderate and

higher income people to areas of suburban expansion has weakened the inner city, robbing it of its tax base and destroying inner city social cohesion and capacity. This pattern of growth has generated a new set of economic, social and environmental problems that are presenting a real challenge for cities. In response to this unsustainable approach to urban development planners are re-thinking the planning and management of urban growth. In an effort to ensure greater sustainability “a move towards smart growth” has been advocated. The principles of “smart growth” have been defined and promoted in works by Benfield (2001) and the Canadian Urban Institute (2001).

Smart Growth is characterized by more emphasis on mixed land uses and a more compact urban design that generates more walkable communities. It also emphasizes higher density development that preserves open space, farmland and natural habitat and directs development toward existing communities. An emphasis is also placed on providing a broader range of housing designs and affordability options than are normally available in standard suburban developments. An effort is also made to provide a variety of transportation alternatives to the automobile.

Rationale

Research has provided substantive evidence that documents the nature of the problems the recent pattern of development has created for cities (Knapp and Hopkins, 2001, Tyler, 2000 and CMHC, 1999, 1997, 1995, and 1994). Other research and development initiatives have demonstrated that “smart growth” will counteract some of the environmental, social and economic problems generated by our existing patterns of development, including “smart growth”. However, there is very little work available to indicate the marketability of this approach to urban development. A number of projects with Smart Growth features have been developed in the United States. Although fewer in number, there are also Canadian examples. Smart Growth features, however, have not been widely implemented. A “risk adverse” development industry is concerned about marketability. Housing consumers still illustrate a strong preference for the traditional suburban approach to development. Given the possible environmental and economic advantages of Smart Growth there is a need to identify options to enhance public demand and acceptability of the approach. There is also a need to promote acceptance at the municipal level.

With developments already in place the research can draw on the marketing experience of both American and Canadian examples. Examining and documenting the “market segments” and the marketing strategies of these projects will help the development industry and cities design strategies to increase public interest and acceptability of the approach. It will provide examples of what has, and has not, worked.

As there will be continued pressure to address environmental concerns, reduce the cost of sprawl and address infrastructure changes and costs this research question has

strong links to development of a more environmentally sustainable housing policy as well as new policies related to the planning and management of urban growth. This research is most important for high growth centres where development pressures are greatest but sustainable development patterns are important in slow growth centres and small towns as well. Public acceptance may also be more difficult to achieve in these centres.

Question Seven

Identify strategies to maintain and enhance the existing private rental inventory in Canada's urban centres.

Discussion

Over the past two decades, the Canadian rental market has been in a state of transition and reorganization. There has been a decline in the number of new affordable units being built; some of the existing portfolio has been converted to condominiums; and, investment in the modernization and repair of older projects has declined (CMHC, 1999). These trends have reduced the number of affordable rental units available to low and moderate-income households. Research illustrates that the shift to home ownership has resulted in rental markets becoming more polarized, with low-income households most likely to comprise the rental population (Clayton, 2000). Associated with this trend is the fact that the rate of return for rental units does not offer enough incentive to attract the necessary capital to build new units and invest in the repair and modernization of the existing portfolio (Clayton, 2000; FCM, 1999; CMHC, 1999)

Rationale

These trends highlight a number of concerns. Without sustained investment in the modernization of the existing portfolio, choice, availability and quality of private sector rental units may continue to decline. This will reduce the number of affordable units available to low and moderate income households. This lack of investment will also place greater pressure on governments to provide accommodation for lower income households. Considerable research has focused on measures necessary to stimulate new construction, including tax measures, public subsidies and changes to the current regulatory environment. However, strategies are also needed to maintain and improve the existing private portfolio of affordable rental units. Key questions that have to be addressed include: what scale of investment is required? and, what incentives, or other initiatives, might be required to encourage the necessary investment?

Considerable information is available on the economics of rental construction and modernization as is detailed data on household affordability. These two data sets represent much of the information necessary to undertake such research. Research in this area has broader policy linkages to other priority research areas including; government policy on assisted housing, social policy on poverty and housing need, the

cost of housing and housing construction and renovation. This research, although of greatest importance to high growth centres because of the demand pressures and affordability problems in these communities, has relevance throughout all sub-markets where there is a demand for rental accommodation. It is of considerable importance to slow growth and smaller communities where new rental starts are least likely and dependence on the existing inventory is therefore more important.

Question Eight

Document the challenges, opportunities and potential outcomes of the complex financial partnerships that are required to produce affordable housing in today's policy environment.

Discussion

In many areas of the literature, reference has been made to the difficulties rental investors face in their efforts to provide new affordable rental housing. Trends illustrating the growth in low income households resulting from both labour force restructuring and demographic changes have also been highlighted. Finally, the reduced role of government in the provision of affordable housing has also been referenced.

Rationale

The nexus of these trends is a shortage of affordable housing for low and moderate income households and a limited number of venues for the provision of such housing. Although there is a high level of interest amongst non-profit providers of housing to undertake affordable housing projects without ongoing government subsidies, the capacity to undertake such projects is mixed (Kraus and Eberle, 1998). There is considerable need for better information on the complex and innovative approaches and financial mechanisms that are needed to make these projects a success (Kraus and Eberle, 1998; Ekos Research, 1997). Information is also required to document the complex partnerships necessary to fund such initiatives. The research can build on the work of the Canadian Centre for Public Private Partnerships and focus on projects across the country that illustrate success and failure. By documenting challenges, opportunities and outcomes a series of best practice options can be developed.

The need for this research is common to all sub-markets and should yield results for a number of policy areas ranging from affordable housing policy to health, education and poverty alleviation policies. Case study approaches are also relatively inexpensive and manageable.

Question Nine

Detail the condition of the housing stock and, by focusing on the interrelated issues of age, condition and operating costs, suggest options for improving the condition of the stock and protecting the affordability of the older stock for low and moderate income households.

Discussion

There have been no recent comprehensive and systematic surveys which detail the condition of the housing stock, although self-reporting suggests the need for repair is increasing. In many sub-markets the stock continues to age and a limited number of new units are being added. Operating costs increase with age, but there is also improved potential with new building technologies and systems to improve the quality and affordability of the aging stock.

Rationale

With the aging of the stock (Statistics Canada, 2001), the increasing trend toward purchase of resale homes (MLS, 2002), and the long term trend in increasing utility costs (CHBA, 2001b) the condition of the aging housing stock is taking on added importance. Extensive renovation and modernization may be necessary to protect the condition and affordability of this stock. However, no systematic data base is available to determine the extent of the problem, the nature of the repairs and renovations necessary, the estimated cost or the potential for households to afford the investment necessary. There are also very little data available to suggest at what point homes should be demolished as opposed to investing in upgrading. Research is required to address these basic data collection and analysis gaps. Without this basic research, development of provincial and national strategies to improve the condition of the aging stock will be difficult.

This research issue is most important in slow growth metropolitan centres, small towns and rural areas where new housing starts are limited but all sub-markets contain aging units. It also overlaps policy areas such as environmental sustainability and is of particular interest to the renovation sector which would benefit from better information on the upgrading needs of the stock.

Although a systematic national study would be too expensive, focusing on particular design types and houses of different ages in selected centres would be a useful beginning to improved data and knowledge in this area. There may also be potential to build on information from the RRAP files.

Summary

The nine research questions detailed above do not provide a comprehensive listing of important research issues related to the socio-economic trends affecting consumers and housing markets. They have been identified, however, because of their importance

to a number of sub-market and policy areas (Table 1). A more comprehensive listing of trends and associated areas for research are detailed in Appendix A and B.

Table 1: Rating of Priority Research Questions

	Question One	Question Two	Question Three	Question Four	Question Five	Question Six	Question Seven	Question Eight	Question Nine
Importance in Literature	Important	Very important	Important	Important	Important	Growing importance	Very important	Modest importance	Very important
Driver of Market Change	Limited	Very important	Modest importance	Important	Important	Important	Important	Limited	Important
Important in Numerous Sub-Markets	Several	All	All	All	Mainly high growth	Mainly high growth	All	All	All
Apparent Gaps	Substantial	Substantial	Substantial	Substantial	Substantial	Substantial	Substantial	Substantial	Substantial
Addition to Knowledge	Significant potential	Significant potential	Significant potential	Significant potential	Significant potential	Significant potential	Significant potential	Significant potential	Significant potential
Opens New Avenues for Research	Significant potential	Significant potential	Significant potential	Significant potential	Significant potential	Significant potential	Significant potential	Limited potential	Significant potential
Influences Public Policy	Significant effect	Significant effect	Significant effect	Significant effect	Significant effect	Significant effect	Significant effect	Modest effect	Significant effect
Managability									
Time	Extensive	Extensive	Reasonable	Extensive	Reasonable	Reasonable	Extensive	Reasonable	Extensive
Cost	Expensive	Expensive	Reasonable	Expensive	Reasonable	Reasonable	Expensive	Reasonable	Very expensive
Data Availability	Survey work required	Yes	Primary data must be collected	Only Case Studies possible	Sound methodologies	Yes	Yes	Yes	Only Case Studies possible

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6.0 Appendix A: Research Gaps by Topic

The research priorities for each of the twelve topic areas explored in this study are summarized in Table 2. In addition, existing and ongoing research considered to be important to continue (i.e., to track changes in trends) is also noted. The summary of these items was developed from our review of the literature and our interpretation of the needs.

Table 2: High, Medium, and Low Research Priorities by Topic Area		
Research Topic	Research Gap	Existing and Ongoing Research Which Should Continue
Macro-economic Factors	<ul style="list-style-type: none"> · understanding the effect of changes in capital markets and global investment patterns on mortgage markets and interest rates, and their impact on the cost of housing · evaluating the effects of housing stimuli during the last decade in order to inform decisions about potential future actions · modeling changes in tax approaches to asset depreciation 	<ul style="list-style-type: none"> · understanding the link between changes in full-time employment growth and its impact on the long term housing demand and production · developing a better understanding of the social, economic, and demographic drivers of demand
Demographic Changes	<ul style="list-style-type: none"> · growing ethnic diversity and implications for the housing market · differential growth by age groups and the long term effects on the housing market · demographic change and new types of tenure options · greying neighbourhoods, the implications for housing and urban development · migration trends and the implications for investment and disinvestment in housing · slow growth and the implications for the housing market · differential growth by region and its effect on the housing market 	<ul style="list-style-type: none"> · impact of an aging population on housing demand, design and tenure options · changing household composition and the implications for housing markets, housing designs and utilization of the existing stock · lifestyle and preference changes and implications for the housing market · Aboriginal population growth, migration and demand for housing, type of housing, affordability and location
Labour Force Changes	<ul style="list-style-type: none"> · polarization within the labour force, growth of low end and high end jobs, and implications for housing · implications of geographic changes in the labour force for housing: inner city renewal; further suburban expansion; fringe development · impact of a changing global economic structure · economic/labour force life circumstances of different generations (e.g., generation "X") and implications for housing 	<ul style="list-style-type: none"> · gender changes in the labour force and the implications for housing
Housing Construction and Renovation	<ul style="list-style-type: none"> · financing of housing maintenance for large scale structures, including planning for rehabilitation of older rental properties and development and management of replacement reserve funds · understanding problems and issues related to public housing, including a focus on the modernization of management systems · quantifying the range and extent of the impacts of technology innovations on the housing industry and the overall quality and cost of housing 	<ul style="list-style-type: none"> · relationship between demographic changes, household formation, and demand for new housing versus a focus on expenditures on renovations · modeling of housing starts trends in relation to rates of economic growth, availability of employment, and population migration · role and impact of manufactured and modular housing

Table 2: High, Medium, and Low Research Priorities by Topic Area

Research Topic	Research Gap	Existing and Ongoing Research Which Should Continue
Cost of Housing	<ul style="list-style-type: none"> linkages between immigration and house prices 	<ul style="list-style-type: none"> monitoring impacts of construction union wage rates, lumber prices, lot prices, levies and fees, and other inputs, on the cost of housing understanding the relationship between population growth rate, the rate of new housing construction activity, and housing prices costs and savings associated with developing environmentally sensitive housing
Financing Mechanisms	<ul style="list-style-type: none"> developing new financing mechanisms for changing tenure options, multi-party funding, and mixed use developments understanding the challenges, opportunities and potential outcomes of complex financing partnerships assessing impact on and likely futures of housing markets (both ownership and rental) of the change to mortgage financing, especially the 5% minimum downpayment 	<ul style="list-style-type: none"> understanding the problems and barriers associated with the renovation sector getting access to financing for renovation activity
Municipal Infrastructure	<ul style="list-style-type: none"> developing environmentally sensitive infrastructure developing cost effective but environmentally sensitive infrastructure for northern communities how to catch up with deteriorating infrastructure 	<ul style="list-style-type: none"> the real costs of urban growth (dollars, environmental implications) assessing the role of changing land use patterns and changes in urban form in generating cost savings for infrastructure monitoring the effect on housing affordability resulting from shifting costs (i.e., user fees)
Smart Growth	<ul style="list-style-type: none"> better defining the benefits of smart growth (costs, environmental implications), and their implications for affordable housing determining people's preferences, attitudes, and acceptance of smart growth using smart growth to manage future urban growth, what are the options appropriate housing designs in a smart growth context adapting smart growth to existing built up areas smart growth and its relevance to fast growth and slow growth areas 	<ul style="list-style-type: none"> understanding and defining smart growth
Market Failure	<ul style="list-style-type: none"> developing a better understanding of market failure assessing the extent of discrimination in housing markets assessing the effectiveness of anti-discrimination laws and regulations, and enforcement mechanisms examining the evidence and impact of discrimination in housing choice on immigrant populations examining the role of public policy in initiating market failure 	<ul style="list-style-type: none"> identifying structural barriers which lead to discrimination in the housing market modifying some of the existing CMHC information guides to include information for specific consumer groups looking for information about more specific housing options available in the marketplace, such as seniors, low income households, and those with special needs
Multiculturalism and Housing Variation	<ul style="list-style-type: none"> measuring housing affordability for recent immigrants (possible wide variation depending on age, marital status, education, household type, and period of immigration) focused studies to determine present and future housing needs of refugees and recent immigrants, translate these needs into design guidelines, tenure options assessing the housing needs of immigrant labourers (e.g., those working in meat processing, garment industry, seasonal agriculture) 	<ul style="list-style-type: none"> continuing longitudinal studies on the integration patterns of various categories of immigrants; tracking the housing choices, options, and improvements of the same group of immigrants over time determining market implications of immigration

Table 2: High, Medium, and Low Research Priorities by Topic Area

Research Topic	Research Gap	Existing and Ongoing Research Which Should Continue
Income Disparities	<ul style="list-style-type: none"> · undertaking an analysis of income disparities by segments of the population with attention to the potential effect on housing markets · assessing the geographical differentiation of income disparity, and the resulting effects on housing markets · projecting future income disparities to assess expectant increase / decrease in housing market demand 	<ul style="list-style-type: none"> · continued research/monitoring of core need
Rental Markets	<ul style="list-style-type: none"> · understanding how changing household structure impacts the rental market · difficulties associated with maintaining the existing inventory; scale of investment required; market factors which make such investment viable; effects on affordability; and incentives that might be required · understanding what types of rental housing to build and where, and for what income groups and household types · understanding how to meet the demand for rental accommodation and close the “gap” between market rents and ability of the renter to pay · assessing rental needs in rural small towns and northern areas · understanding the nature and magnitude of stock losses in the rental sector · building a better understanding of the non-traditional rental sector 	<ul style="list-style-type: none"> · assessing rental needs of an aging population · examining the factors driving the decline in private rental markets on a global basis (the global market gap)

7.0 Appendix B: Research Gaps by Sub-Market

Specific issues and trends requiring further research are grouped within each of the five sub-market areas described in this study. The summary was developed from our review of the literature and our interpretation of the needs. We have identified the issues and trends for further research within each sub-market by assessing the interrelatedness of many of the major issues described Appendix A. The list is not intended to be exhaustive nor fully prioritized, but rather it is intended to reflect important and interrelated issues. We emphasize that these are geographic-specific issues and they may not necessarily be important from a national perspective in terms of research priorities.

High Growth Metropolitan Centres

- **Immigration and housing needs.** High growth centres are the primary recipients of international immigration. Continued research is required to better understand the specific housing needs of distinct immigrant populations, the barriers they face, the opportunities for the building industry, etc.
- **How income disparity and polarization within the labour force influences housing.** More research is required to understand the relationship among high and low income outcomes of the changing nature of our labour force (high skill, high wage, technology related jobs versus low skill, low wage service jobs); and how it influences the types of housing and geographically-bounded demands generated by polarized income groups.
- **Smart growth, the environment, and infrastructure (re)development.** There is a need for greater evidence of how to create public demand for smart growth approaches within these urban centres. Coupled with this is a need to understand different financing approaches to meeting infrastructure development costs.
- **Labour force issues in the construction and renovation sector.** Further research is needed to assess the barriers to labour force mobility in the construction sector and how to remove them so that the sector may respond in a more timely fashion to the rapid demands for new housing construction.
- **Rental supply issues.** High growth centres appear to be generating new condominium and high-end rental stock. However, there is little or no new affordable rental stock being built, and the existing rental stock is aging or being removed from the overall supply in favour of other residential (primarily condominiums) and non-residential developments. There is a need to develop a better understanding of rental housing dynamics, and how to remove barriers to, rental housing investment in high growth centres.
- **Changes in the labour force.** The continued shift to the knowledge-based economy creates different demands for housing, including inner or central business district locations. It also

creates changes in the types of physical structures and the (technology) services contained therein. We need more information about how this shift affects housing and community dynamics.

Slow Growth Metropolitan Centres

- **Demographic change.** Little is known about the “demographic churn” within slow growth centres - is this population aging? What about youth migration? What are the resulting impacts on housing demand?
- **Economic “spikes” and housing change.** Slow growth centres will experience periodic economic booms (e.g., St. John’s and offshore development; Saint John and shipbuilding contracts; Brooks, Alberta and meat processing) which in the short term drive new residential construction and often cause a rise in housing prices, before settling back to “typical” patterns of growth. Research is needed to understand the nature of the impacts of these effects on a temporary basis and over the long term, including the impact on the supply of affordable housing, the changes in the fabric of the urban environment, and the impact on infrastructure. Developing a better understanding of what happens when the boom is over, and how to mitigate the negative impacts of cyclical growth on housing markets are important issues for further research.
- **The challenges of smart growth, the environment, and infrastructure renewal.** In these centres we need to develop an understanding of how to finance infrastructure renewal when the private sector has no capacity to cost-share or pay given the slow pace of development, and the local government has a slow growth tax base. Furthermore, there is a need to develop approaches which stimulate interest in smart growth within a context where municipalities are sometimes desperate for new growth to occur.
- **Rental housing issues.** Demand for rental housing is not being driven by new population growth. More households in slow growth communities find affordable homeownership opportunities. With reduced demand for rental (primarily from seniors and newly formed single and two-person households), we need to research how the private sector may provide new rental accommodations when return on investment is limited or occurs over a much longer period than is acceptable to private investors.
- **Changes in the labour force.** Slow growth centres are more dependent on traditional manufacturing and the service sector, as opposed to the knowledge based economy which characterizes more of the high growth centres. We need to understand the different housing demands associated with this type of labour force.

Small Town Canada

- **The aging population.** Seniors are retiring to small towns near large urban centres, or other “central places”, where access to (health) services is readily available. We need to know more about the needs and resulting innovations associated with housing an aging population. Related to this is the depressed income growth among seniors. The predictions of the late 1980s and early 1990s centred around a growing elderly population with higher incomes reshaping housing markets may no longer hold. Given the changes in the global economy and smaller growth in retirement incomes (particularly for seniors who have worked in primary sector occupations), we need to know more about how this has and will affect demands for housing and services. Finally, in small towns there is a need to examine how to structure a full range of housing options (from independent to assisted to enriched to nursing home care) to serve a broad regional territory.
- **Rental investment and rental demand.** The demand thresholds for rental housing are limited; one vacancy in a ten-unit apartment building can be problematic from a cash-flow and profit perspective. Research is needed to assess risks and develop strategies for reducing those risks. Related to this issue is the challenge associated with small numbers of households in different income groups (low income, working poor, social assistance, transient labour, professionals) each with specific rental housing needs. We need more information about how to develop private sector mixed income rental developments and how they are managed financially and socially.
- **Quality of the housing stock.** There have been no recent comprehensive and systematic surveys completed which detail the condition of the housing stock, although self-reporting suggests the need for repair is increasing. The stock continues to age with limited new units added. Operating costs increase with age. There is a need for research on the interrelated issues of quality, age, operating costs and the resulting local, provincial, and national strategies for improving the condition of the aging stock, including potential investment of new building technologies and systems into existing housing.
- **Infrastructure renewal.** The costs of financing this renewal have a direct bearing on housing affordability: property taxes must be increased; municipalities need to borrow more money or implement higher user fees. In either case, taxpayers foot the bill. Research is needed to understand the extent of the infrastructure problem in small towns, as well as the potential range of solutions, and the resulting effects on housing affordability.
- **Regional issues.** More research is needed to better understand the regional dynamics that small towns find themselves in, and the resulting impacts on housing supply and demand. The role of small towns has shifted over time; they no longer are the primary economic base for their immediate surrounding rural areas. On a larger regional scale, some small towns may become important regional service providers of health and education services. Those communities will need to provide housing for professionals. Those centres that do not capture a regional market seem destined to decline. However, research is needed to determine what short term housing requirements exist during this stage of decline. It is just

as important to understand the dynamics of disinvestment in these small towns as it is to understand the market for investment in small towns serving as modest growth centres.

Rural Communities

- **Labour force in the construction and renovation sector.** Given the lack of stable revenue from new construction, many firms engage themselves in renovation activity, or they operate on a much wider regional basis. In many cases there is an adequate supply of construction labour, but there is limited demand for services and limited mobility capacity within the labour pool. What are the operational issues associated with this environment?
- **Mortgage financing.** There is a need to identify if there are barriers to mortgage funds and mortgage insurance in rural areas.
- **Lack of infrastructure.** Given the property-specific nature of water supply and septic systems, there is a need for more information about the quality of these systems, and, where appropriate, the potential for multi-unit sharing of infrastructure. There are emerging concerns related to the environment, habitat, groundwater protection, and housing affordability.
- **Housing market disinvestment.** In some rural communities where economic activity has ceased (mine closure, fishery closure, etc), we see evidence of housing disinvestment. Households are unable to sell their property and they lose their equity. Critical services are removed. What are the options for assisting communities and households in these circumstances make transitions to other communities? What planning mechanisms are currently working or need to be developed in new cases where potential new communities might be established, so that these issues can be addressed early on or avoided altogether?
- **Quality of the housing stock.** There have been no recent comprehensive and systematic surveys completed which detail the condition of the housing stock, although self-reporting suggests the need for repair is increasing. The stock continues to age with limited new units added. Operating costs increase with age. There is a need for research on the interrelated issues of quality, age, operating costs and the resulting local, provincial, and national strategies for improving the condition of the aging stock, including potential investment in new building systems and technologies.

The North

- **Labour force in the construction and renovation sector.** For the most part this labour force does not exist. Research is needed to assess how the private sector may be developed to fill labour force gaps. Related to this is a need to assess approaches for innovative financing and private sector investment in housing supply in the North.

- **Aboriginal and Inuit demographic trends and housing needs.** There is a need for modeling and forecasting of the potential housing demands, and their implications, for these groups. Although they have the highest birth rates and rates of household formation, there is some speculation that these trends for Aboriginal households may soon be changing as households opt for fewer children. The changing nature of the extended family and the growing need for housing options for seniors is little understood.
- **Construction labour force.** Given the difficulty of building in a cold climate, there is a need to research and assess relevant labour force skills and capacities, and to determine criteria for labour force training related to new building technologies, for example, those involving environmental approaches to treating waste.
- **Culturally appropriate housing.** More research is needed to develop better housing designs and systems which meet the needs of northern Aboriginal groups.

8.0 Appendix C: Additional Research Gaps

In this section we briefly discuss our analysis of additional apparent research gaps, not addressed in either Appendix A or Appendix B. These research gaps cut across a number of topics and themes, and may or may not be geographic specific. They are, however, considered to be priorities for research. This is based on comments in the literature, and on our knowledge and expertise of what research has or has not been done. Some of these gaps may not be high priorities for a national program of research but they might be important regionally or across one or more of the different sub-markets in Canada.

- **Housing and its linkages to other sectors.** There is a need for research on the connections between housing and other sectors of activity. For example, we know very little in Canada about the linkage between housing and community economic development. To what extent are housing assets used to leverage other economic activities in a community? The United States is exploring the connection between housing and investments in designated “empowerment zones” designed to stimulate local economic development. Australia is exploring strengthening communities through community economic development. There are also connections to the health care and social services sectors that need to be explored. Health Canada has initiated some preliminary work in this area. The United Kingdom research agenda includes topics on supporting people (e.g., the frail elderly, physically disabled, those with disruptive behaviours) in a housing context. Australia’s research agenda includes housing assistance linkages (housing and health, social assistance, education and other support services).
- **Housing and socio-economic outcomes.** There is a lot of research on market problems and the potential solutions for addressing them. However, there is less work on satisfaction with housing provided, and on the overall utility and “success” (broadly defined) of housing once it is built. This is true in all sub-markets. For example, we know little about the housing outcomes of some of the new technology introduced into the built environment of northern communities. How does housing contribute to household satisfaction or lifestyle objectives? In what ways does housing contribute to healthy communities? New Zealand is exploring the outcomes emerging out of its recent changes in housing policy.

Another important element related to housing and socio-economic outcomes relates to the increasing popularity of assisting low income households move into homeownership situation. An important research focus is determining the sustainability of home-ownership options for low income households. Many programs focus on providing ownership for low income households by providing up-front grants or rent-to-own approaches, but there is generally no on-going support. The important research question in this context is: Can these households sustain the cost of ownership over the longer term without continued public assistance? For some low income households homeownership presents an opportunity to accumulate modest wealth and assets. For others, the experience may result in deepening debt and poverty. This can be very important related to their housing outcome(s).

- **Housing and knowledge-based economy.** The literature to date on the knowledge-based economy does not explicitly discuss the housing needs and demands of knowledge workers. There is discussion about the use of technology equipment in the home. But there is almost no discussion of the housing form and location preferred by such workers. How does the knowledge-based economy affect demand? What are the important factors in the location decisions these workers make both within cities and their preferences for particular cities? What other aspects about living environments are important to them?
- **The nature of the existing stock.** Most of the research tends to focus on development of new housing, or on the factors associated with housing demand. What is needed is more research on detailed characteristics of the existing stock, including: conditions (state of repair); suitability to changing household need and types; useful life span of existing stock; the economic returns on renovation, and much more. The United Kingdom has undertaken an aggressive approach to data collection and forecasting with significant emphasis on annual surveys of the existing stock and households. The United States has a rehabilitation research initiative to explore renewal of the existing stock.
- **Housing in rural areas and small towns, including the North.** Much of the research focus is on the larger urban centres, where the vast majority of our population lives, However, we generally know much less about housing supply and demand issues in smaller communities in rural communities and the North. In these types of communities there are challenges associated with small or non-existing markets, narrow or limited thresholds across different demand segments, limited capacity in the construction sector, infrastructure and environmental issues, and many other topics which play a mitigating role. Although there has been considerable work in the past in rural areas and small towns there has been less emphasis on this area in recent years. While some attention has been given to technical housing issues of the North, more research into the socio-economic variables of the housing sector is needed. These areas are undergoing significant transition because of changes in various sectors of the economy and a renewed focus on this area may be necessary to better understand market dynamics and housing needs. Australia, with a vast rural and remote area like Canada is placing considerable emphasis on research initiatives supporting housing in disadvantaged regions.