

Right-Sizing Housing and Generational Turnover

Date: May 26, 2021

To: Planning and Housing Committee

From: Chief Planner and Executive Director, City Planning

Wards: All

SUMMARY

This report summarizes the attached bulletin, Right-Sizing Housing and Generational Turnover, which builds on the findings of the previous bulletin, Housing Occupancy Trends 1996-2016. This bulletin constitutes one of several analyses to inform the Municipal Comprehensive Review of the Official Plan with respect to the Provincial Growth Plan for the Greater Golden Horseshoe by estimating how much new housing stock may be needed in the future if recent trends continue.

This bulletin examines housing right-sizing, turnover, and downsizing in Toronto. Right-sizing is a household occupying a dwelling having exactly the number of bedrooms required to suitably house that household based on its size and composition. The suitability standard is derived from the National Occupancy Standard (NOS) of Canada Mortgage and Housing Corporation. Housing turnover occurs when a household vacates its dwelling and a new household moves in. Downsizing is one form of turnover and refers to households headed by persons aged 50 years or more and their transition from being an overhoused household to one in which they are right-sized, or less overhoused. Data from the Census of Population and the National Household Survey of Statistics Canada are the basis of an in-depth analysis of:

- How well Toronto's housing stock is meeting the needs of its occupants for bedrooms;
- Whether the Baby Boomer generation is downsizing more or differently than their predecessors did;
- How much of the future increase in demand for housing is likely to be fulfilled by the existing stock through the downsizing of older generations; and
- Where in the city might the turnover of older generations' housing occur?

In 2016, almost 135,000 Toronto households were underhoused (living in dwellings with an insufficient number of bedrooms), while there were more than three times as many households who were overhoused. This bulletin examines the characteristics of households that are under- or overhoused and the many reasons why this occurs. This analysis reveals that there are many underhoused households with children, particularly in mid/high-rise units, while overhousing tends to increase with the age of household.

As the relatively large Baby Boomer population ages, there is much speculation about when and how much they will downsize, potentially freeing up housing for younger and larger households such as those with children. This research has found that, so far, Baby Boomers have chosen to downsize at a rate similar to the rate of the previous generation. Nevertheless, the aging Baby Boom generation is expected to translate into a larger number of downsizers than in the past because of the large size of the Baby Boom population.

Toronto's population is forecasted to grow significantly in the coming years. The Provincial Policy Statement, the Provincial Growth Plan, and the Official Plan all direct the City to consider existing land, housing, and infrastructure when planning to accommodate population growth. Based on a series of assumptions about trends in demographics, housing supply, and prevailing market conditions, the bulletin estimates the aging of the generations, how each generation translates into households over time, and how many households there may be of each generation in the future. This in turn enables an estimate of how older generations' housing might turn over and when, and how much of the future demand for housing this turnover might offset.

The bulletin also finds that there are a significant number of existing dwellings occupied by older households and, because these households are at a later point in their lifecycle, the dwellings are not presently occupied to their fullest capacity. The analysis estimates the unused capacity of the existing housing stock occupied by older generation households that could potentially accommodate more population if that stock turned over to younger and larger households over the course of time.

In conclusion, the analysis demonstrates that the existing housing stock has significant potential to accommodate a portion of the future increases in demand for housing. Consequently, the bulletin demonstrates that not all future population growth needs to be accommodated in new housing. The household estimates are based on the demographic conditions as they existed in 2016 and those conditions are extended into the future. Non-demographic factors outside the scope of this analysis are potentially significant. This work is an important input to the Municipal Comprehensive Review of the Official Plan, to bring it into conformity with A Place to Grow and its population forecast to 2051.

Household Estimates and the Scope of this Bulletin

While the household estimates in this bulletin incorporate the same planning horizon as the Growth Plan's forecasts, note that these household estimates are neither forecasts nor projections and have a more limited scope. Forecasts may take into account planning and housing policy changes as well as market forces and business cycles, which are beyond the scope of the household estimates presented here. Projections incorporate changes to demographic rates over time, including trends in fertility, mortality, mobility, housing occupancy and housing completion rates. The household estimates presented here hold all of these rates steady over time to provide a comprehensive snapshot of what the housing demand could be if current conditions continued to 2051. The estimates were designed so that the changing age structure of the population could be isolated from other factors that drive or influence housing demand. These household estimates are a simplified scenario of current conditions

extended to 2051 against which to isolate and assess the magnitude of housing turnover over the period.

Note that all scenarios explored in this bulletin are demographic exercises only; considerations of macroeconomics, societal trends and the market are outside the scope of this bulletin. These scenarios do not attempt to predict what households will be able to afford. These scenarios estimate how much housing and the types of housing that future households might demand based on fixed household rates and current demographic conditions continued into the future.

RECOMMENDATIONS

The Chief Planner and Executive Director, City Planning recommends that:

1. The Planning and Housing Committee receive this report for information.

FINANCIAL IMPACT

The City Planning Division confirms that there are no financial implications resulting from the recommendations included in the report in the current budget year or in future years.

COMMENTS

The bulletin is organised into three sections:

1. Concepts and Context
2. Housing Suitability
3. Housing Turnover

1. Concepts and Context

The first section of the bulletin provides background information including concepts used throughout the bulletin, a planning policy scan and a recap of the key trends reported in the Housing Occupancy Trends 1996-2016 (HOT) bulletin.

Concepts and Context Highlights

- Baby Boomers make up the largest number of households in the city and therefore their decisions will continue to have a major influence on housing occupancy.
- Toronto's population is growing, and net migration is the main source of population growth. The majority of people moving to Toronto are younger than the city's overall age distribution and all positive net migration since 2006 is in younger age groups. As of 2016, the number of Millennials surpassed the number of Baby Boomers and is approaching the Baby Boomers' population at its peak. The Millennial generation

faces a different market and composition of stock than their predecessors did. Over time, housing demand will grow, and the Millennial generation and generations that follow will increasingly affect the composition of housing demand.

- Apartments made up the vast majority of recent housing completions, the average size of condominium units has shrunk, and the proportion of one-bedroom units in mid/high-rise buildings has increased. Units with these characteristics may meet the needs of some households better than others.

2. Housing Suitability

The second section of the bulletin explores the suitability of the housing stock to the households that occupy it. It outlines how well households "fit" in their housing: how the number of bedrooms they occupy compares to the number of bedrooms they require based on the age, sex, and relationships among the household members. Chapters 5, 6 and 7 compare the characteristics of these households to define the subsets of households that are more likely to be underhoused, and those that are more likely to be overhoused. Chapter 8 examines the implications of these housing suitability findings. It suggests possible reasons for "involuntary" housing mismatch, households that would prefer to have as many bedrooms as suit the needs of their household composition but do not occupy "suitable" housing. The section concludes with a brief survey of the many actions that City has undertaken that may alleviate involuntary underhousing and overhousing.

Housing Suitability Highlights

- In 2016, almost 135,000 Toronto households were underhoused while more than three times as many households were overhoused (488,025).
- Between 1996 and 2016, the number of overhoused households increased significantly (by 130,375 households or 36.5%), while underhoused households declined at a comparatively moderate rate (by 30,125 households or 18.3%). The increase in overhoused households has outpaced total household growth (23.2%).
- The percent share of right-sized households decreases steadily with age, from 62.9% for households aged 15-34 to 30.4% for households aged 70 and over in 2016. The rate of overhousing increases with the age of the household, from 24.3% for households aged 15-34 to 66.0% for households aged 70 and over in 2016. Households also move less as they age.
- The underhousing rate for renters was almost three times as high as for owners (18.6% versus 6.3%). Nearly 100,000 (97,815) renter households were underhoused in 2016 compared with 37,010 underhoused owner households. In 2016, approximately two thirds (66.2%) of owner households were overhoused, compared to a little less than one fifth (18.9%) of renter households.
- Households with children collectively have lower rates of overhousing, and higher rates of underhousing than households without children. Two in ten couple family

with children households and three in ten lone-parent households were underhoused in 2016 (59,675 and 40,185 households respectively).

- Underhousing rates are higher when the number of children in a family are higher, with almost half of all family households with three or more children being underhoused in 2016 (equating to 40,705 households). The underhousing rates for lone-parent households with three or more children (62.4%) are significantly higher than for couple family with children households (47.6).
- In 2016, 17.2% of all mid/high-rise households were underhoused compared to 7.6% of households living in the houses and low-rises. The rate of overhousing was higher for houses and low-rises (61.1%) and row/townhouses (57.8%) compared with 22.6% for mid/high-rises.
- In 2016, approximately two-thirds (65.4%) of all underhoused households with children resided in mid/high-rise dwellings, amounting to 65,310 households.
- Underhousing and overhousing are a choice for some households rather than a necessity. However, 49,655 households, about a third of all underhoused households, are experiencing affordability issues as well as underhousing. About 4.5% of all households in Toronto are experiencing both underhousing and affordability issues, suggesting that these households may be underhoused involuntarily. Affordability-related underhousing is more prevalent among younger households.
- The City is undertaking several initiatives that may help address involuntary underhousing and overhousing by increasing the housing and affordable housing supply, and encouraging households to right-size. These initiatives include the HousingTO 2020-2030 Action Plan, new secondary plans that require two-or-more-bedroom units in new developments, the Growing Up: Planning for Children in New Vertical Communities Urban Design Guidelines, the Expanding Housing Options in Neighbourhoods initiative, the Housing Now initiative, the proposed Inclusionary Zoning policy, the existing Official Plan permission to build secondary suites and laneway suites, the regulation of short-term rentals, and the establishment a new Vacant Home Tax.

3. Housing Turnover

The third section of the bulletin explores the extent to which downsizing Baby Boomers may help alleviate involuntary underhousing. Chapter 9 examines whether or not Baby Boomers are beginning to downsize more than the previous generation did when they were the same age. It explores older adults moving, and moving into mid/high-rise units, as measures for downsizing.

The focus of Chapter 10 is to estimate how much of the future household growth can be accommodated by older generations' housing turnover, and to estimate when that supply might become available. In Chapter 11, additional scenarios are considered for low and high measures of "unmet demand," which estimate how much additional housing might be required to suitably house involuntarily underhoused households or all

underhoused households. All of these analyses provide a range of measures of how much of future housing demand could be fulfilled by the turnover of the older generation's housing.

Chapter 12 focusses on the housing stock and occupancy rates of the stock in Toronto. The findings spatially illustrate where within the city unused population capacity may exist in the dwellings currently occupied by older generations, and how much additional population could be accommodated if, in time, their dwellings turned over and were re-occupied by younger households. These findings demonstrate where the existing housing stock has currently unused population capacity.

Housing Turnover Highlights

- The current trend suggests that the Baby Boomers appear to be following the same downsizing trajectory as the Silent Generation as of 2016. The Baby Boomers moved within Toronto and into mid/high-rise units at about the same rates as the previous generation did at the same ages.
- Three scenarios of future household estimates to 2051 were calculated, a Base Scenario that employs current occupancy rates, a Low Unmet Demand Scenario that incorporates additional demands to suitably accommodate households that are involuntarily underhoused, and a High Unmet Demand Scenario that incorporates additional demands to suitably accommodate all underhoused households. In all three scenarios, about 60% of the overall estimated future increase in demand for housing could be fulfilled by older generations' housing turnover.
- In all three scenarios, the demand for apartments, units with up to two bedrooms, and owned units would be fulfilled by a combination of turnover plus new supply, assuming that historic completion levels remained stable. In contrast, future demand would not be fulfilled for single- or semi-detached houses, units with three or more bedrooms, or purpose-built rental units.
- When the 2016 housing occupied by older generation households turns over in the future, the total capacity for an additional 16.1% or 213,312 persons within older generations' housing stock could be realized. By 2051, it is estimated that almost all of the 2016 housing occupied by older generation households will have turned over, and that the capacity for an additional 207,240 persons within older generations' housing stock could be realized.
- The areas within the city that have the greatest opportunity to accommodate additional population in the existing housing stock are found in Etobicoke York, North York and Scarborough districts.
- Approximately 25% of Toronto's forecasted population growth to 2051 could be accommodated in the existing housing stock as a result of housing turnover and the utilization of currently unused population capacity.

Demand for housing will continue to grow in Toronto. These results indicate that approximately 60% of the future increase in demand for housing can be fulfilled by the

turnover of older generations' housing. However, the housing that has been built in recent years has served some households better than others. In addition to planning policies that require more units in new developments to have two or more bedrooms, creative new policies that enable additional forms of housing such as "missing middle" housing might enable more households to right-size and to meet their housing needs in the future.

The number of people that the existing housing stock can house fluctuates over time in different parts of the city as the population ages and moves around. Generally, older households are smaller than younger ones. While the persons per household ratio has declined between 1996 and 2016 in the city's outer suburbs in particular, the existing housing in these areas of the city are anticipated to hold more people in the future as older households' housing turns over to younger households.

This bulletin constitutes one of several analyses to support the ongoing implementation of the Official Plan. It will inform the Municipal Comprehensive Review by estimating how much new housing stock may be needed in the future if recent trends continue. The monitoring of these trends will continue through analysis of subsequent Census releases.

The information in this report has a number of policy implications that are beyond the scope of this report and would lend themselves to additional research:

- How might the information in this bulletin be used to guide policy outcomes that improve access to housing and overcome barriers to equity, building greater inclusion?
- How can housing turnover and supportive program initiatives have climate action benefits, contributing to low carbon ways of living and working?
- What are the potential infrastructure benefits of capitalizing on latent supply in existing built-up neighbourhoods, including neighbourhood intensification via the Expanding Housing Options in Neighbourhoods initiative?
- How can market influences shape generational turnover, including market preferences, interest rates, and prices?
- What are the implications of the global pandemic on such trends as working from home and aging in place?
- What community program supports are required to help older adults age in place?

This report will inform ongoing research and land use policy reviews and initiatives.

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SIGNATURE

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ATTACHMENTS

Attachment 1: Right-Sizing Housing and Generational Turnover