

**A COMPARISON OF RESIDENT AND
NONRESIDENT CONDOMINIUM OWNERS
IN THE CITY OF TORONTO**

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The background of the cover is a light gray with a large, dark gray geometric shape that resembles a stylized 'S' or a series of connected triangles. A soft, out-of-focus sphere is positioned on the left side. The text is arranged in a clean, modern layout.

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A Comparison of Resident and
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IS

Abstract

Resident and nonresident owners of condominiums in the city of Toronto are compared to determine whether the social characteristics, condominiums, and purchase decisions of investors differ from those of owner occupants. A random sample of owners of condominiums registered in Toronto between 1985 and 1989 was interviewed by a telephone survey. Data about each owner's social, economic, and demographic characteristics, attributes of the condominium development and unit, purchase decision, and the current costs of condominium ownership were elicited from 86 resident and 84 nonresident owners.

The empirical findings indicate that resident and nonresident owners are better off than the average resident of Toronto. Contrary to public preconceptions, the ethnic backgrounds of both groups of owners are diverse. Recent immigrants are found among resident and nonresident owners, although well established immigrant groups are more likely to be nonresident owners.

Investors buy similar condominiums as owner occupants. Only dates of purchase and sizes of condominiums bought by resident and nonresident owners differed. Nonresident owners tended to buy sooner than resident owners who increased their share of purchases between 1985 and 1989. Resident owners were also more likely to buy large, two-bedroom units than nonresident owners who concentrated on studios and one-bedroom apartments.

As expected, nonresident owners placed more importance upon investment considerations when deciding upon a condominium form of tenure and selecting a specific unit. Reasonable price and protection against inflation were assigned importance by nonresident owners, whereas resident owners placed more weight upon the low maintenance and convenience of condominium living.

Finally, investors in the condominium market in central Toronto are interested in long-term gains from small-scale investments. The majority do not expect to sell within the next two years, despite their current financial losses. Approximately 79 percent of nonresident owners reported that rents did not cover monthly carrying costs.

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Executive Summary

1. Purpose and Scope of the Research

The main purpose of this study was to evaluate the relative importance of lifestyle and investment considerations in decisions to purchase condominiums. Using data from a survey of condominium buyers in the City of Toronto in 1989, the social and economic characteristics of resident and nonresident buyers, the attributes of their units and developments, and the factors that influenced their decisions to purchase a condominium are compared. The study also considers some financial aspects of condominium ownership and the sensitivity of owners to future price changes. The findings complement earlier surveys of condominium occupants that omitted nonresident owners who are a growing presence within the condominium market. Although the sample of owners is small, the findings suggest important avenues for further research about the role of investors in the condominium market.

2. Data Sources and Methodology

The major data source was a survey of condominium owners that was conducted in the City of Toronto in the winter of 1989/90. Only units registered between 1985 and 1989, a period of rapid expansion of the condominium supply, were included in the original sample. Condominiums were divided into those where the owner lived in the unit (resident owners) and those where the owner rented the unit (nonresident owners). Due to errors in the assessment rolls, considerable attrition from the sample and unusual difficulty contacting owners by telephone, the final sample of completed interviews comprised 86 resident owners and 84 nonresident owners. Despite its small size, the sample is the only random sample of nonresident owners ever surveyed in Canada. In this sense, it is an important improvement upon previous studies that have relied upon small samples of nonresident owners chosen by systematic means. The questionnaire elicited information from each owner about the attributes of the condominium unit and development, the main reasons for buying a condominium rather than another form of tenure and for buying a specific unit, the financial costs of owning the unit and intentions to sell, and the social and economic characteristics of the owner. Due to the small sample size, a descriptive analysis was completed with few statistical tests.

3. Social Background of Condominium Owners

Evidence from the questionnaire indicates that all condominium owners in the sample are well educated and well off with educational attainments and incomes that are much higher than the norm in the City of Toronto. Compared with resident owners, nonresident owners tend to be older and they are more likely to be living with a spouse who is also employed in the paid labour force. All ethnic groups are represented in the condominium market, however, nonresident owners who have invested in condominiums are less likely to claim membership in the Charter groups: English and French, and Canadian. Those of Asian, Southern European and Other European background accounted for 59.6 percent of all nonresident owners.

4. Housing Attributes and Year of Purchase

Comparison of the housing attributes of the condominiums owned by resident and nonresident owners revealed only minor differences in the size, housing type and amenities of condominiums but divergent trends in purchase prices and the year of purchase. While resident owners increased their share of condominiums from 1985 to 1989, nonresident owners gradually declined in relative and absolute terms in developments in the central part of the City of Toronto. The difference in purchase dates is possibly accounted for by investor reaction to rising condominium prices between 1985 and 1989. Nonresident owners primarily interested in the capital appreciation may have lost interest in condominium investments in the latter stages of the boom. Certainly, resident owners paid higher prices than nonresident owners. Nevertheless, nonresident owners had carrying costs as high as those of resident owners. It appears that nonresident owners have made smaller financial commitments, resulting in relatively larger mortgages than those of resident owners.

5. Reasons for Condominium Purchase

The survey data attest to the continuing lifestyle appeal of condominiums. When asked the reasons for purchasing a condominium, resident owners focused on convenience and lifestyle considerations, particularly the reduced home maintenance that a condominium offers. Investment concerns were also important, but not to the same extent as for nonresident owners. Nonresident owners emphasized the overriding importance of investment factors, particularly reasonable price and protection against inflation. Despite the emphasis placed on investment considerations when buying a condominium, nonresident owners expressed little interest in selling their units despite monthly carrying costs that exceeded rents in more than 70 percent of the units held by nonresident owners. There seems to be no basis for the concern that nonresident owners might abandon their investments. At least in central Toronto, investors were operating on a small scale, for long term gains.

6. Implications and Suggestions for Further Research

The results from this study confirm the growing importance of investment considerations in decisions to purchase condominiums. Among resident and nonresident owners, investment concerns were important influences on the decision to buy a condominium, although lifestyle considerations were more important to resident owners. However, there is no evidence that growing importance of investment aspects of real estate purchasers will destabilize the condominium market.

There are several possibilities for future research.

1. Important differences between the purchase behaviour and social characteristics of resident and nonresident condominium owners have been described in this study of central Toronto. The geographical scope of the study needs to be expanded to include condominium developments in suburban areas, particularly, in other parts of Metropolitan Toronto and in the adjacent regional municipalities where there was rapid development of condominiums between 1985 and 1990, to explore the extent and nature of spatial submarkets for nonresident owners.

2. The study documents nonresident owners residential decisions and intentions as the condominium market was beginning to decline. Condominium prices have fallen dramatically since the completion of the survey. It would be helpful to learn how nonresident owners have responded to the unexpected and unprecedented decline in prices since 1990. During a period of rapid deflation of housing prices, continued monitoring of owners' intentions to sell would aid policymakers concerned with the impact of financial failures.

3. The difficulties of tracing and contacting condominium owners points out the need for more accurate records of property ownership. Inconsistencies in the assessment rolls contributed to severe sample attrition that was exacerbated in the case of condominium owners by subsequent unprecedented difficulty in contacting resident and nonresident owners. Additional research is needed to improve records of property ownership.

«Une comparaison entre les propriétaires-occupants et les propriétaires non résidents de logements en copropriété dans la ville de Toronto»

Résumé

1. Objectif et portée de l'étude

L'étude vise surtout à évaluer dans quelle mesure le mode de vie et les raisons d'investir influent sur la décision d'acheter un logement en copropriété. D'après les données recueillies, en 1989, lors d'une enquête effectuée dans la ville de Toronto auprès des acheteurs de logements en copropriété, on compare la situation sociale et économique des propriétaires-occupants et des propriétaires non résidents, les caractéristiques de leurs logements et des ensembles, ainsi que les facteurs qui influent sur la décision d'acheter un logement en copropriété. L'étude examine en outre certains aspects financiers liés aux logements en copropriété et la réaction des propriétaires aux fluctuations des prix. Les résultats de l'étude complètent ceux des enquêtes précédentes, ces dernières ayant exclu les propriétaires non résidents, de plus en plus nombreux sur le marché des copropriétés. Bien que l'échantillon soit petit, les résultats de l'étude révèlent des possibilités importantes de recherche sur le rôle des investisseurs dans le secteur des logements en copropriété.

2. Sources de données et techniques d'enquête

Une enquête menée auprès des propriétaires de logements en copropriété dans la ville de Toronto, au cours de l'hiver de 1989-1990, constituait la source principale de données. À l'origine, l'échantillon ne comprenait que les logements enregistrés en copropriété entre 1985 et 1989, période de croissance rapide dans ce secteur de l'habitation. Les logements en copropriété, faisant l'objet de l'étude ont été répartis en deux catégories : ceux des propriétaires-occupants et ceux des propriétaires non résidents qui louaient leur habitation. L'échantillon définitif ne comprenait cependant que 86 entrevues de propriétaires-occupants et 84 de propriétaires non résidents, en raison d'erreurs relevées dans les rôles d'évaluation, du taux élevé d'attrition dans l'échantillon et des difficultés inhabituelles à communiquer avec les propriétaires par téléphone. Cet échantillon aléatoire, quoique peu élevé, est le seul de son genre à faire l'objet d'une étude au Canada. Il s'agit donc d'une nette amélioration par rapport aux études précédentes fondées sur de petits échantillons de propriétaires non résidents choisis de façon systématique. Le questionnaire a permis de recueillir des renseignements auprès de chaque propriétaire sur les sujets suivants : les caractéristiques des logements en copropriété et de l'ensemble, les principales raisons motivant l'achat d'un logement en copropriété plutôt qu'un logement d'un autre mode d'occupation et le choix d'une catégorie particulière d'habitation, les frais de possession du logement, les intentions de vendre, et la situation sociale et économique du propriétaire. À cause de la petite taille de l'échantillon, l'analyse descriptive n'est fondée que sur quelques tests statistiques.

3. Situation sociale des propriétaires de logements en copropriété

Selon les résultats du questionnaire, les propriétaires de logements en copropriété, faisant l'objet de l'enquête, ont un niveau de scolarité et un revenu nettement supérieurs à la moyenne établie pour la ville de Toronto. Les propriétaires non résidents, comparativement aux propriétaires-occupants, tendent à être plus âgés et à habiter avec un conjoint possédant un emploi rémunéré. Tous les groupes ethniques sont représentés toutefois, les propriétaires non résidents qui ont investi dans ce genre de logement ont moins tendance à se désigner comme membres des groupes fondateurs, soit d'origine française ou anglaise, que comme Canadiens. Les groupes d'origine asiatique, sud-européenne et européenne comptaient, quant à eux, pour 59,6 p. 100 des propriétaires non résidents.

4. Caractéristiques des logements et année d'achat

La comparaison des logements en copropriété des propriétaires-occupants et des propriétaires non résidents ne révèle que peu de différence entre les deux groupes en ce qui concerne les facilités ainsi que la taille et le type des habitations. Des divergences se distinguent cependant au niveau du prix et de l'année d'achat. L'étude indique qu'entre 1985 et 1989, la proportion de propriétaires-occupants a augmenté dans le secteur des logements en copropriété alors que celle des propriétaires non résidents diminuait, en termes relatifs et absolus, dans la région centrale de la ville de Toronto. La différence observée dans les dates d'achat, entre 1985 à 1989, pourrait s'expliquer par une réaction des investisseurs à la hausse des prix des logements en copropriété durant cette période. Il est possible que les propriétaires non résidents, qui s'intéressent surtout à la plus-value en capital, aient délaissé le marché des logements en copropriété durant la dernière phase de la croissance vertigineuse des prix. Les propriétaires-occupants ont assurément payé plus cher pour leur logement que les propriétaires non résidents. Néanmoins, les frais de possession des propriétaires non résidents étaient aussi élevés que ceux des propriétaires-occupants. Il semblerait que les propriétaires non résidents, ayant versé une mise de fonds plus faible que les propriétaires-occupants, aient eu à souscrire un prêt hypothécaire relativement plus élevé.

5. Motifs de l'achat d'un logement en copropriété

Les données de l'enquête témoignent du fait que le cadre de vie offert par les logements en copropriété constitue encore leur principal attrait. En expliquant pourquoi ils avaient acheté un logement en copropriété, les propriétaires-occupants ont surtout souligné le confort et le mode de vie qu'offrait ce mode d'occupation et, particulièrement, les faibles coûts d'entretien. Les propriétaires-occupants attachent aussi beaucoup d'importance au facteur investissement, mais à un degré moindre que les propriétaires non résidents. Pour ces derniers, le facteur investissement est capital, en particulier, le prix abordable et la protection contre l'inflation. Cependant, les propriétaires non résidents semblaient peu intéressés à vendre leur logement même si les frais de possession mensuels dépassaient le revenu de location dans plus de 70 p. 100 des cas. Il semble donc n'y avoir aucun fondement aux craintes que les propriétaires non résidents pourraient abandonner leur investissement. Les investisseurs, dans la région centrale de Toronto du moins, exploitent le marché des

logements en copropriété à petite échelle, afin de réaliser des profits à long terme.

6. Portée et suggestions d'autres projets de recherche

Les résultats de la présente enquête confirment l'importance croissante du facteur investissement dans la décision d'acheter un logement en copropriété, tant pour les propriétaires-occupants que pour les propriétaires non résidents. Le groupe des propriétaires-occupants accordait cependant plus d'importance au mode de vie. Toutefois, rien ne semble indiquer que l'importance attribuée au facteur investissement risque de compromettre l'équilibre du marché des logements en copropriété.

Plusieurs possibilités existent.

1. La présente étude, qui porte sur la région centrale de Toronto, a révélé d'importantes divergences dans le comportement des acheteurs, ainsi que dans la situation sociale des propriétaires-occupants et des propriétaires non résidents. Pour examiner l'ampleur des caractéristiques des sous-marchés destinés aux propriétaires non résidents, la portée géographique de l'étude doit être agrandie afin d'y inclure des habitations en copropriété en périphérie, particulièrement dans les autres régions de l'agglomération de Toronto et dans les municipalités environnantes où le secteur des logements en copropriété a enregistré une croissance rapide entre 1985 et 1990.

2. L'étude fait état des décisions et des intentions des propriétaires non résidents à un moment où le marché des logements en copropriété commençait à s'affaiblir. Depuis la fin de l'enquête, le prix des logements en copropriété s'est effondré. Il serait intéressant de savoir comment les propriétaires non résidents ont réagi à la baisse inattendue et sans précédent des prix en 1990. Afin d'aider les décideurs qui se préoccupent des incidences de faillites, il serait bon de suivre les intentions de vendre des propriétaires durant une période d'effondrement des prix.

3. Les difficultés éprouvées à communiquer avec les propriétaires de logements en copropriété font ressortir le besoin d'un système d'enregistrement plus précis des propriétaires. Les irrégularités relevées dans les rôles d'évaluation ont contribué à une attrition importante dans l'échantillon que les difficultés à communiquer avec les propriétaires ont aggravée. D'autres recherches sont donc nécessaires en vue d'améliorer les dossiers d'enregistrement.



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1. Introduction

In Canada, condominiums provide a unique opportunity to invest in residential real estate. The owner of a condominium unit holds individual title to the unit itself while sharing ownership of common facilities (City of Toronto 1988). The costs for common facilities are shared through a condominium corporation that typically contracts maintenance and repair, freeing owners from the routine tasks associated with freehold homeownership. Freedom from maintenance responsibilities encourages investment in condominiums by those seeking financial gains as well as by those who are buying a place to live. The investment aspects of condominium ownership make this form of tenure ideal for examining how investment considerations are altering tenure decisions.

The changing nature of tenure decisions is attracting increasing interest in all housing studies (Ball, Harloe and Martens 1988). Until recently, researchers and policymakers emphasized the important influence of use value on the decision to own or rent housing. According to this view which emphasizes the association between ownership and housing type, households purchase housing to obtain a single-detached house that provides adequate indoor space, easy access to the outdoors, and the privacy and independence of ownership (Morris and Winter 1978, Michelson, 1977). Income and household savings restrict tenure decisions by limiting access to homeownership (Brueckner 1986, Struyk 1976). Large households and households with children are expected to opt for homeownership whenever finances permit.

Attention is now being given to the role of investment considerations in the decision to buy or rent housing. There is a growing body of survey data attesting to the public's belief that housing is a good financial investment (Pratt 1986, Agnew 1981, Baer 1986). This belief has been encouraged by public policies that favour homeownership over renting. For example, in Canada, capital gains from the sale of one's principal residence are not taxed. In the United States and Great Britain, mortgage interest is tax deductible. Indeed, mortgage interest can be used to reduce taxable income in the United States (Ball, Harloe and Martens 1988). The housing and financial industries have also emphasized that financial security in old age is based on home ownership (Lampert, 1992). When housing is purchased mainly as an investment, tax considerations and income and price expectations are thought to have a significant influence upon tenure decisions (Muth 1986, Henderson and Iannides 1983, Linneman 1985, Ihlanfeldt 1980). Attributes of the dwelling such as its size, relative location, and age are expected to be less important than the purchaser's expectations about trends in housing prices and rents, household income and tax benefits.

The relative importance that different social groups assign to use value and investment considerations is still unclear, particularly for condominiums. The market for condominiums is diverse, with several major groups of buyers whose reasons for purchasing a condominium differ (Townley 1988). Research has focused upon condominium occupants, describing their diverse social and demographic characteristics (Hamilton 1978, A. Skaburskis and Associates 1985, Skaburskis 1988b). In Canada, a national condominium market study in 1983 included surveys of the occupants of the condominium units in nine cities and of the chairperson of the condominium association for each development in the sample (A. Skaburskis and Associates 1985). In the United States, the conversion of rental accommodation to condominium forms of ownership has also focused attention upon the occupants of condominium units. The American Housing Survey has proved a rich source of information about condominium occupants (Preston 1991, Eilbott 1985). Special surveys have also concentrated upon condominium residents, property managers, and developers (Dinkelspiel 1981). In Europe, concerns about the impact of converting rental accommodation to condominiums led to several studies of condominium occupants (van Weesep 1986, Lundqvist 1986, Harloe 1985). Four major groups of buyers have been identified in Canadian and American studies: young, childless professionals, elderly people, young families, and well off middle age couples.

In gentrifying neighbourhoods in the United States where rental accommodation has been converted to owner occupancy, the new homeowners have often been young professionals who were childless and enjoyed incomes well above the city and metropolitan averages (O'Connell 1988, Beauregard 1986, Gale 1984). The desire for low maintenance is a concern mentioned by all owners as the most frequent reason for purchasing a condominium (O'Connell 1988). In addition, some owners purchased converted units because they lacked the downpayment required for purchasing a single-detached house and they hoped to benefit from rising house prices.

Elderly people living in small apartments on modest incomes, are a second important group of condominium buyers in some metropolitan areas in the United States. Their decisions to purchase a condominium are based mainly on cost and maintenance considerations (van Weesep 1986, Preston 1991).

In Canada, the low cost of condominiums originally attracted young families to modest suburban developments of townhouses and rowhouses (A. Skaburskis and Associates 1985, Hamilton 1978). For these households, condominiums represented an initial step on the housing ladder that would allow them to develop the equity needed to purchase a single-detached dwelling. Policymakers in the United States adopted a similar view of condominiums in the early eighties when they

encouraged their development as starter homes for first-time homebuyers (U.S. President's Commission on Housing 1982).

Recently, a fourth group of condominium owners has emerged in American and Canadian cities, well off middle-age couples who purchase luxurious, centrally-located condominium apartments in major metropolitan areas (Skaburskis 1988a, Preston 1991). One study showed that these buyers prize the convenience of condominiums that relieve homeowners of maintenance responsibilities while providing easy access to cultural and recreational facilities and employment (Skaburskis 1988a).

The emphasis upon condominium occupants is noteworthy given that increasing numbers of condominiums are thought to be rented. In 1988, it was estimated that more than a third of all condominium units in the City of Toronto were rented (City of Toronto 1988). The proportion is thought to have increased in the late eighties when investors were major buyers in the condominium market¹. In the United States, equivalent proportions of the condominium stock are also rented (Eilbott 1985). The increasing proportion of condominiums that are rented suggests that nonresident owners make up an increasing proportion of all condominium owners (Lampert 1989). This growing segment of the condominium market is overlooked entirely in surveys that only contact occupants. Basic information about investors' social and demographic characteristics, the attributes of the developments and units in which they have invested and information about their investment decisions is needed before we can begin to predict the possible reactions of condominium investors to downturns in the market (Lithwick 1987). Knowledge of the social backgrounds of nonresident condominium owners, their purchases and their reasons for buying condominiums is limited.

The present study compares empirically the social and demographic characteristics of resident and nonresident condominium owners, the attributes of their units and developments, and the factors that influenced their decisions to purchase a condominium. Data collected from a questionnaire survey of condominium owners in the City of Toronto are used to determine the extent and nature of differences in the social and demographic characteristics of resident and nonresident condominium owners, in the attributes of the units and developments that they have purchased, and in their residential decisions.

With this brief review as background, the study is reported in seven sections. The first section describes briefly the development of the condominium stock in Toronto as background for the

¹ There are various estimates of the proportion of condominiums that are rented. According to a recent survey (Best 1990), rental rates vary from approximately 25 percent in Metropolitan Toronto to almost 40 percent in York and Durham regions.

analysis of the survey data. The survey is outlined in section two where the sample design, survey instrument and response rates are discussed in detail. Section 3 compares the social and demographic characteristics of resident and nonresident owners with particular attention to variations in household size and composition and ethnic background. The attributes of the condominiums bought by owner occupants are compared with those of units bought by nonresident owners in the fourth section. Section 5 examines the decision to purchase a condominium, by exploring the reasons for the tenure decision, and then, the rationale for buying a specific condominium unit. Trends in purchase prices, mortgage costs, and other economic aspects of condominiums are discussed in the sixth section. A brief conclusion outlining the major findings of the study, their implications for policies concerning condominium development, and directions for future research ends the report.

2. The Development of Condominiums in Toronto

The City of Toronto is the central city of the Toronto Region. Incorporated in 1834, it expanded rapidly in the first thirty years of the twentieth century with population levelling off at slightly less than 700,000. Ever since, the population of the City of Toronto has fluctuated, but there has been no major abandonment or decline in population. In contrast to the central city, population in the rest of the Toronto region has increased rapidly and by 1986, the population of the Toronto Census Metropolitan Area (CMA) was almost 3.5 million.

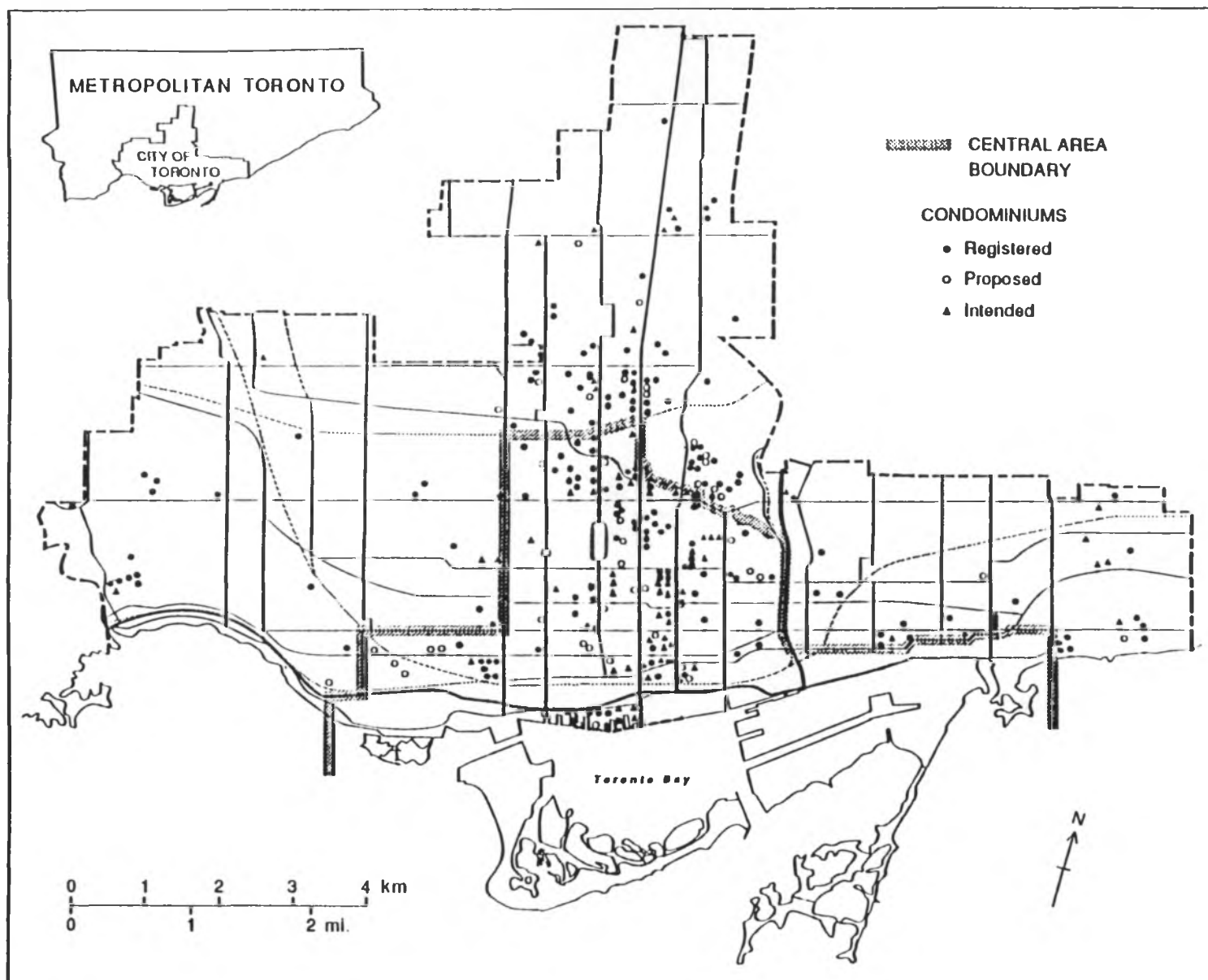
After 1983, Toronto experienced strong economic growth, particularly in the office and service sectors (Norcliffe, Goldrick and Muszynski, 1986). Much of this employment is concentrated in the City of Toronto, especially the inner core, and has precipitated demand by well paid white collar employees for housing near their place of work. Economic restructuring has also created a large pool of non-unionized poorly paid service employees, many of whom are female. These trends have raised concerns that social polarization between rich and poor has increased in the central area. The recent loss of affordable rental housing and the emphasis on new luxury condominium housing has been a central focus of this debate (Murdie 1990, Silzer 1985).

Only permitted in Ontario since 1967, condominiums have become an increasingly popular form of tenure. By 1988, there were over 13,000 registered condominium units in the City of Toronto (Figure 1), of which about 70 percent were located in the core and surrounding area of mixed use and high density residential development (City of Toronto 1988, 10). Although the City of Toronto accounts for only one-fifth of the Metropolitan Area population, it accounted for more than a third of all newly completed condominium units between 1984 and 1987 (City of Toronto 1988).

Since 1980, condominium prices have been very volatile. Between 1981 and 1983, prices declined slightly (Table 1). After a short period of stability, prices rose rapidly from 1986 until 1989. According to Royal LePage, in Central Toronto, the average price of a standard condominium apartment in a high-rise apartment that had two bedrooms, a kitchen and a floor area of 84 square metres rose from \$ 90,000 in 1986 to \$330,000 in 1989. The average price of a luxury condominium apartment² increased from \$210,000 to \$590,000 in the same period. Prices have declined

² A luxury condominium apartment is a two-bedroom apartment comprising a living room, a dining room (possibly combined), and a kitchen with a family room or den, in a high-rise building with an inside floor area of 130 square metres. Amenities include upgraded broadloom, 2 full bathrooms, ensuite laundry and storage area, 5 appliances, a large balcony and i underground parking space. Common area includes a pool, sauna and other major recreational facilities.

Figure 1 Condominiums in the City of Toronto, 1988



Source: City of Toronto (1988)
Condominium Monitor 1988

Table 1: Condominium Prices, 1981-1992^a

Year	Standard Condominium ^b		Luxury Condominium ^c	
	Average Price (\$)	Annual Charge (%)	Average Price (\$)	Annual Charge (%)
1981	\$65,000	N/A	\$175,000	N/A
1982	60,000	-8.3	145,000	-17.1
1983	60,00	0.0	140,000	-3.4
1984	63,000	5.0	148,000	6.1
1985	63,500	.8	156,250	5.2
1986	90,000	41.7	210,000	34.1
1987	185,000	105.6	345,000	64.3
1988	260,000	40.5	420, 000	21.7
1989	330,000	26.9	590,000	40.5
1990	310,000	-6.1	550,000	-6.8
1991	240,000	-22.6	395,000	-28.2
1992	200,000	-16.7	330,000	-16.5

^a Source: Royal LePage. April 1992. Survey of Canadian House Prices. Toronto Royal LePage.

^b Standard Condominium Apartment: A two-bedroom apartment comprising a living room and a kitchen, in a high-rise building with an inside floor area of 84 sq. metres (900 sq. ft.). Amenities include standard broadloom, 1 and 1/2 bathrooms, 2 appliances, a small balcony and 1 underground parking space. Common area includes a pool and some minor recreational facilities.

^c Luxury Condominium Apartment: A two-bedroom apartment comprising a living room, a dining room (possibly combined), and a kitchen with a family room or den in a high-rise building with an inside floor area of 130 sq. metres (1,400 sq. ft.). Amenities include upgraded broadloom, 2 full bathrooms, ensuite laundry and storage areas, 5 appliances, a large balcony and 1 underground parking space. Common area includes a pool, sauna and other major recreational facilities.

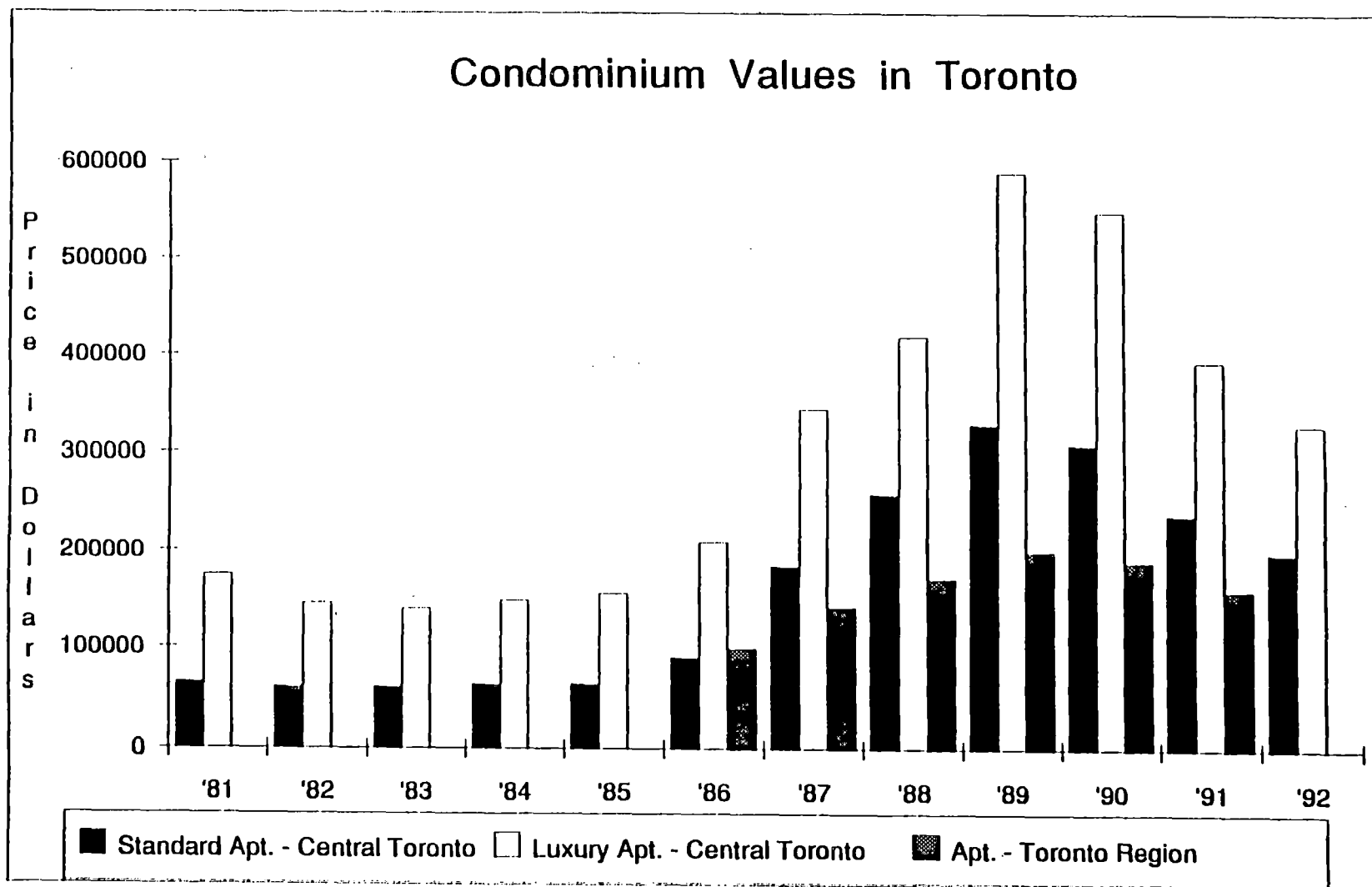
precipitously, falling by more than 25 percent in 1991 alone (Figure 2). The same trends in prices are apparent from other data although the magnitudes of the increases and subsequent decline vary slightly. Differences in spatial coverage and in the definition of a condominium mean that average prices reported by the Toronto Real Estate Board and by the Department of Planning, City of Toronto are not identical to those reported by Royal LePage. For example, the Toronto Real Estate Board reports the average sales price for all residential condominiums sold in the Greater Toronto Area. Many one bedroom and studio apartments are sold in the Greater Toronto Area so it is not surprising that the average price reported by the Toronto Real Estate is slightly lower than that reported by Royal LePage.

Condominiums are typically apartments, townhouses, and rowhouses. In 1981, approximately half of all owner-occupied condominium units were in apartment buildings, 52.3 percent, while the remainder were townhouses and row developments (Census of Canada 1981). In Toronto, apartment units predominated (A. Skaburskis and Associates 1985). Their importance has increased so that by 1988, 79.6 percent of all condominium units in the City of Toronto were apartments. In contrast, only 39.1 percent of the city's total housing stock were apartments (City of Toronto 1988). At the provincial level, the contrast between the types of dwellings that are condominiums and those that are held under other forms of ownership is also evident. In 1987, approximately 60 percent of condominiums were apartments, whereas 90 percent of other owner-occupied units were single-detached.

The concentration of condominiums at the centre of the Toronto CMA has been accompanied by reductions in the size of new condominiums. Small, one bedroom condominiums account for a growing share of the stock, while the share of large units with more than two bedrooms that might appeal to young families is declining. In the City of Toronto, approximately half of all condominiums, 50.4 percent, had two bedrooms in 1988. Another third of all condominium units had less than two bedrooms. However, of all the units added between 1986 and 1988, almost half, 46.9 percent, were one-bedroom units. Bachelor apartments accounted for another 9.1 percent of all new condominium units during the period. In contrast, only 5.2 percent of new condominiums had more than two bedrooms (City of Toronto 1988).

Previous studies have demonstrated marked condominium submarkets within Toronto (Skaburskis 1988b). In 1983, expensive and luxurious highrise condominium developments attracted middle-aged empty nesters to the centre of the City of Toronto (Skaburskis 1988a). At this time, suburban condominium developments were more likely to be inexpensive and modest townhouses

Figure 2



purchased by young first-time homebuyers trying to accumulate equity towards the purchase of a single-detached house (Skaburskis 1988a). The contrast between central and suburban condominium submarkets reflects changes in the intended markets for condominium developments. Introduced as an inexpensive form of homeownership, the initial condominiums were intended for young families buying their first house, so spartan townhouse and row developments in the suburbs on relatively cheap land predominated (Hamilton 1978). Since 1970, a bimodal age distribution has emerged as the condominium market has diversified and appealed to an older age group with luxurious developments (A. Skaburskis and Associates 1985). More recently, there is preliminary evidence that condominiums are also attractive to well paid, young professionals seeking a convenient residence near work that is free of maintenance responsibilities (Skaburskis 1988a, Townley 1988).

None of these submarkets refers to nonresident owners, who are thought to hold approximately one third of all condominiums in Toronto (Lampert 1989). This estimate may be low since approximately 40 percent of condominiums in Vancouver were estimated recently to be rented rather than owner-occupied (Hamilton 1991). To the extent that nonresident owners were omitted, the previous analyses are incomplete and less useful to policymakers and researchers seeking to understand how condominiums are affecting local housing markets. This study attempts to rectify this deficiency, at least for the city of Toronto.

3. Research Design

A questionnaire survey of a sample of condominium owners was completed in the summer of 1990. The survey presented three important challenges. Without an accurate and complete census of condominium developments in the Toronto Census Metropolitan Area, we had to develop a sampling frame from which to select condominium owners. Secondly, strategies were developed to increase the response rate from nonresident owners who were more difficult to contact than resident owners. Finally, the survey instrument had to be designed to ensure comparability of responses between resident and nonresident owners whose knowledge of the condominium unit and development, motivations for buying a condominium, and behaviours with regards to the unit were expected to differ.

3.1 Sample Design

The sample of condominium owners for the telephone survey was drawn from the 1989 assessment records for the City of Toronto and included all condominiums registered between 1985 and 1989. Condominiums were divided into those where the owner lived in the unit (resident owners) and those where the owner rented the condominium (nonresident owners). Initially, within each group, telephone numbers were sought for a systematic sample of 500 owners selected from the assessment records. From telephone directories, numbers could be found for only some owners, so additional strategies were used. For resident owners, telephone numbers for people with similar names and/or addresses were called to locate the resident owner. For nonresident owners, tenants were called and asked to provide telephone numbers for their landlords. Since we expected that it would be more difficult to locate nonresident owners, attempts were made to find telephone numbers for all 500 of the nonresident owners in the original sample. In contrast, fewer difficulties were anticipated with the resident owners and attempts to find telephone numbers for these owners were limited to telephone numbers for 298 cases.

Originally, we had hoped to draw a parallel sample in a suburban municipality of the Toronto CMA. However, several unexpected problems were encountered while drawing the sample. The assessment tapes are in a format that is difficult to analyse, so much additional time was required to create the original sample. There was considerable attrition from the sample. Of the 798 owners in the final sample, slightly more than 30 percent could not be traced. Some owners were out of the province or the country, many had unpublished telephone numbers, and in some cases there was no listing at all for owners or tenants in current directories and directory assistance had no new listing.

The proportions of resident and nonresident owners who were not traceable were different, resident owners were easier to find (75%) than nonresident owners (66%).

For owners who could be traced, there were additional inconsistencies in the assessment rolls. Of the 224 resident owners who could be traced, only 165 or 74 per cent, were found to live in the units they owned, the data in the assessment records were incorrect for the remaining 26 percent. The problem of inconsistency was even more extreme for nonresident owners. Of the 333 nonresident owners who could be traced, only 128, or 38 per cent, were found where the same address was provided for the property and tenant, *and* the owner was confirmed to live at a different address.

Unusual difficulty was also experienced in contacting owners by telephone. Over 50 percent of the owners could not be contacted after several tries, primarily because there was no answer, the telephone was connected to an answering machine or the telephone was not in service. The problem was more severe for nonresident owners than for resident owners. Once contacted, however, the refusal rate was relatively small and language problems were minor. As a result of problems encountered in tracing and contacting owners and inconsistencies in the assessment rolls, the final sample of completed interviews comprised 84 nonresident owners and 86 resident owners.

3.2 Sample Characteristics

Analysis of the characteristics of the sample allows us to evaluate several aspects of the condominium market in Toronto that have not been documented previously. Specifically, the sample reveals that the vast majority of condominium owners are individuals rather than businesses. Of the 798 condominium units in the sample, 86.3 percent were owned by individuals, leaving only 13.7 percent in the hands of businesses. Many more nonresident owners than resident owners had purchased condominiums in the names of businesses. Almost one fifth of all units held by nonresident owners are in the names of businesses while fewer than 5 percent of all owner-occupied units are in the names of businesses.

Analysis of the types of businesses listed as owners reveals great diversity in business ownership of condominiums. Almost 40 percent of businesses are numbered companies or corporations that allow one or more individuals to incorporate and take advantage of tax savings from real estate investments that accrue to businesses rather than individuals. Property management companies and development, investment and holding companies accounted for another 47 percent of all businesses. It is impossible to know whether this proportion has risen recently as the

condominium market has softened, however, the high proportion of business owners who are potentially involved directly in the development and management of condominiums warrants further investigation. It may well be a useful indicator of activity in the condominium market that rises when the demand for condominiums falls below the supply and falls when the reverse is true. Finally, approximately 13 percent of businesses are insurance companies, law firms and businesses other than property management and development firms.

3.3. Survey

The questionnaire was designed to elicit information from each owner about four topics: attributes of the condominium unit and development, the social and economic characteristics of the owner, reasons for buying a condominium, current use, and intentions to sell, and finally, rental information where appropriate. Designed to ensure that resident and nonresident owners provided comparable information, only the last section was exclusively used for nonresident owners. In all other sections, the same questions were used to elicit information wherever possible. The sequence of questions was designed to avoid bias as a result of question order and to increase the response rate while minimizing the length of the interview. Following standard procedures, sensitive questions about purchase prices, incomes, and rental income were asked at the end of sections after the interviewer had developed rapport. The quality of the data were improved by use of computer-assisted interviewing. During telephone interviews, the interviewer entered each response as the question was answered. Inappropriate answers are not accepted and the interviewer is prompted to repeat the question and probe more deeply. As a result, the accuracy of the data is higher than from other forms of interviewing.

4. Social Background of Owners

All condominium owners in the sample are well educated and well off with educational attainments and incomes that are much higher than the norm in the City of Toronto. Close to half of all condominium owners have completed university or obtained a certificate from a community college or technical school (Table 2). As a comparison, only 39.7 percent of adults living in the City of Toronto were as well educated in 1986 (Statistics Canada 1988). These educational attainments are reflected in the high mean family incomes of condominium owners. Although nonresident owners are significantly ($p < 0.01$) better off than resident owners, both groups reported high mean family incomes of \$90,455 and \$70,214, respectively that far exceed the mean household income of \$45,768 for the City of Toronto in 1985 (Statistics Canada 1988) and the median household income of \$41,496 for central Toronto in 1988 (City of Toronto 1990). All incomes are reported in 1990 dollars, nevertheless, the inclusion of renters who typically have lower incomes than homeowners exaggerates the magnitudes of the differences between the average incomes of condominium owners and those of City and central Toronto residents. Current data do not allow us to compare the incomes of condominium owners in the City of Toronto with those of other homeowners. In addition, the income data must be treated with some caution, because of the relatively low response rates (49 percent for resident owners and 40 percent for nonresident owners).

It is not surprising that those who bought condominiums have incomes in excess of all other Toronto residents. At the time, the carrying costs of these condominiums were high due to high purchase prices and high interest rates. Home-buying was probably restricted to those who had high incomes or very large downpayments. A useful comparison would be between those who bought condominiums and those who bought freehold dwellings during the same time period. This comparison would be more indicative of the relationship of condominium buyers to other buyers, however, these data are not available.

4.1. Household Composition

Resident condominium owners are less well off than nonresident owners mainly because of differences in labour force participation, marital status, and age³. The vast majority of owners work

³ Resident and nonresident owners were asked to report their household incomes. An owner who held a unit in the name of a business reported household incomes rather than the income of a business. In the case of multiple owners, we have obtained information only from one owner.

full-time, regardless of whether or not they occupy the condominium (Table 2). Resident owners are slightly more likely than nonresident owners to be outside the paid workforce. Almost one quarter of resident owners, 24.4 percent, are not participating in the paid workforce, compared with only 14.2 percent of nonresident owners.

Differences in marital status also contribute to the higher incomes of nonresident owners. Since 1976 Canadian households have maintained or raised their incomes by increasing the numbers of wage earners contributing to the household's income. As a result, the incomes of small, single person households with only one wage earner are lower than those with two wage earners (Gunderson, Muszynski, and Keck 1990). Among condominium owners, resident owners tend to live in smaller households. Approximately half of all resident owners have never been married or were previously married, whereas, the vast majority of nonresident owners, 81 percent, are currently married. Differences in marital status between resident and nonresident owners are related to differences in the proportions of owners whose spouses were employed full-time or part-time. Only 33 of 86 resident owners reported that their spouses were employed, whereas 51 of 86 nonresident owners had spouses who were employed full-time or part-time.

Table 2: Social Characteristics of Condominium Owners

	Resident		Non-Resident	
	Frequency	Percent	Frequency	Percent
<u>Vocational Attainment:</u>				
High School or Less	16	18.6	13	15.5
Some Postsecondary	9	10.5	6	7.2
Completed Postsecondary	39	45.3	41	48.8
Postgraduate/Professional	20	23.3	23	27.4
Missing	2	2.3	1	27.4
<u>Marital Status:</u>				
Married, Partner	42	48.8	68	81.0
Previously Married	13	15.1	8	9.6
Never Married	30	34.9	7	8.3
Missing	2	1.2	1	1.2
<u>Total Family Income:</u>				
\$40,000	11	13	1	1
\$40,000 - \$59,999	8	9	5	6
\$60,000 - \$79,000	11	13	7	5
\$80,000 - \$99,000	1	1	4	5
> \$100,000	12	14	16	19
Missing	44	51	51	61
<u>Employment Status:</u>				
Full-time	56	65.1	66	78.6
Part-time	8	9.3	5	6.0
Not in work force	21	24.4	12	14.2
Missing	1	1.2	1	1.2
<u>Spouse's Employment:</u>				
Full-time	32	76.2	45	66.2
Part-time	1	2.4	6	8.8
Not in work force	8	19.0	17	25.0
Missing	1	2.4	0	0

Table 2: Social Characteristics of Condominium Owners (cont'd)

	Resident		Non-Resident	
	Frequency	Percent	Frequency	Percent
<u>Year of Birth:</u>				
Before 1930	13	25.1	10	11.9
1930 - 1939	15	17.4	21	25.0
1940 - 1949	17	19.8	24	28.6
1950 - 1959	26	30.2	21	25.0
1960 - 1969	10	11.6	3	3.6
Missing	5	5.8	5	6.0
<u>Gender</u>				
Men	44	51.8	47	56.0
Female	41	48.2	37	44.0
<u>Ethnic Background:</u>				
Charter	49	57.0	25	29.8
Southern European	1	1.2	15	17.9
Other European	11	12.8	13	15.5
Asian	17	19.8	22	26.2
Other	5	5.8	8	9.5
Missing	3	3.5	1	1.2
<u>Total</u>	86	100.0	84	100.0

Slight differences in the ages of resident and nonresident owners may also contribute to the difference in incomes. Nonresident owners are slightly older on average than resident condominium owners. As a result, nonresident owners are more likely to be earning their peak wages and enjoying additional disposable income.

It is noteworthy that equal numbers of men and women responded to the survey for resident and nonresident owners. Among resident owners, the sample was almost equally split between men and women who accounted for 51.8 percent and 48.2 percent of respondents, respectively. Among nonresident owners, men slightly outnumbered women. Of the 84 nonresident owners in the survey, 47 were men and 37 were women.

4.2. Ethnic Background

There is a popular stereotype that recent immigrants and people planning to immigrate to Canada are the main buyers of condominiums. The ethnic backgrounds of condominium owners in the City of Toronto support this stereotype, but only in a limited way. The majority of resident condominium owners, 57.0 percent, identify themselves as members of the charter groups, Canadian, British and French. Resident owners are also drawn from two other ethnic groups; Asians and Other Europeans, those claiming Jewish and Northern European backgrounds, who accounted for 19.8 percent and 12.8 percent of all resident owners. Of these ethnic groups, Asians are likely to be recent immigrants to Canada (Economic Council of Canada 1991).

Nonresident owners are more likely to fit popular stereotypes. Only 29.8 percent of nonresident owners identified themselves as Canadian, British or French. Although many nonresident owners are from recently arrived immigrant communities, their ethnic backgrounds are diverse. More than a quarter of nonresident owners, 26.2 percent, claimed Asian ethnicity, while another 17.9 percent and 15.5 percent were of Southern and Other European background, respectively.

The preponderance of Asians and Southern Europeans has been noted at the provincial level where there is substantial variation among ethnic groups in levels of homeownership for 1986 (Ray and Moore 1991). Loglinear analysis revealed that the odds of persons born in Southern Europe and Asia living in owner-occupied housing were much higher (2 to 3 times for Southern European immigrants and 1.5 to 2 times higher for Asians) than for the reference group of American, British and Northern European immigrants. In addition to the opportunity that homeownership offers for accumulating wealth, they speculate that the differentials reflect cultural values and degree of commitment to Canadian society. This is particularly true for recent immigrants, such as those from Hong Kong, who arrive from countries characterized by considerable uncertainty. The ethnic backgrounds of nonresident condominium owners tend to support these speculations.

5. Attributes of Condominiums

Comparison of the housing attributes of the units owned by resident and nonresident owners revealed divergent trends in date of purchase. While resident owners increased their share of units from 1985 to 1989, nonresident owners gradually dwindled in relative and absolute terms. In 1985, nonresident owners had bought approximately two thirds of the condominiums purchased, but the proportion fell to 16.7 percent by 1989 (Table 3). The difference in demand between resident and nonresident owners is possibly accounted for by investor reaction to trends in condominium prices during the 1980s. For the first half of the 1980s, condominium prices in the City of Toronto did not fluctuate very much (City of Toronto, 1988). Beginning in 1985, however, prices increased dramatically reaching a peak in 1989 (Figure 2). Following that year, prices declined, and by 1992 had returned to 1987 levels. Given this trend, it is possible that nonresident investors lost interest in condominium investments in the latter stages of the boom. Nonresident owners who are interested in capital appreciation may be more aware of the risk of a downturn in the market than nonresident owners.

Table 3: Condominium Purchases

	Resident		Non-Resident	
	Frequency	Percent	Frequency	Percent
<u>Year of Purchase:</u>				
1985	10	34.5	19	65.5
1986	15	41.7	21	58.3
1987	23	52.3	21	47.7
1988	25	58.1	18	41.9
1989	10	83.3	2	16.7
1990	3	100.0	0	0.0
Missing	0	0.0	3	100.0
<u>Type of Sale:</u>				
New Unit	55	64.0	70	83.3
Resale	28	32.6	13	15.5
Blueprint	3	3.5	1	1.2
<u>Total</u>	86		84	

The purchase patterns are reflected in the proportions of units that were purchased new, never having been occupied, versus those that were resale units. New units dominated the Toronto condominium market between 1985 and 1989, accounting for 73.5 percent of the condominium units purchased during this period. There is a slight tendency for nonresident owners to purchase new units rather than resales. In our sample, more than 80 percent of nonresident owners had purchased a new unit compared with only 64 percent of resident owners. In part, the trend towards resales among resident owners may reflect their tendency to purchase condominium units later than nonresident owners. By 1988 and 1989, more resale units would have been available for sale as the stock of condominium units had increased rapidly since 1985 (City of Toronto 1988).

Regardless of date of purchase, the majority of condominiums were constructed as condominiums rather than converted from other forms of tenure. More than 90 percent of the units owned by residents and nonresidents alike were constructed as condominiums (Table 4). The paucity of condominiums created through conversions reflects the strict regulation of the rental housing stock by the Ontario government that has forbidden the conversion of rental units to condominiums except under extraordinary circumstances since 1986 with the passage of the Rental Housing Protection Act (Ontario Ministry of Housing, 1988).

5.1. Housing Attributes

The condominium units that are owner-occupied and those that are occupied by renters differ slightly. Owner-occupied units tend to be larger than those owned by nonresidents (Table 4). Among owner-occupied units, the largest number (48.8 percent) have two bedrooms and more than one bathroom. In contrast, units owned by nonresidents are more likely to have only one bedroom and one bathroom. These smaller units made up more than half of all the condominiums owned by nonresidents in 1990. Although the units themselves are smaller, the developments in which nonresident owners have purchased units are slightly more luxurious, providing more sports and common facilities than the developments in which units are owner-occupied. In our sample, almost all condominium developments are well endowed with common facilities, however, nonresident owners were slightly more likely than resident owners to report the presence of more than 5 amenities (Table 5). Specifically, nonresident owners were slightly more likely to report their developments had an indoor pool, sauna, gym or exercise room, tennis or squash courts and both indoor and outdoor parking. It is noteworthy that both types of owners reported similar provision of security services, in the form of electronic systems, 24 hour guards or some combination of these security measures.

Table 4: Attributes of Condominiums

	Resident		Non-Resident	
	Frequency	Percent	Frequency	Percent
<u>Type of Building:</u>				
Highrise apartment	45	52.3	62	73.8
Lowrise apartment	27	31.4	19	22.6
Townhouse	8	9.3	2	2.4
Other	6	7.0	0	0.0
Missing	0	0.0	1	1.2
<u>Number of Bedrooms:</u>				
Studio	7	8.1	8	9.5
One Bedroom	32	37.2	48	57.1
Two Bedroom	42	48.8	27	32.1
Three Bedroom	5	5.8	1	1.2
<u>Type of Development:</u>				
Constructed as Condominium	82	95.3	78	92.9
Converted	4	4.7	4	4.8
Missing	0	0.0	2	2.4

Table 5: Presence of Common Facilities

	Resident		Non-Resident	
	Frequency	Percent	Frequency	Percent
Swimming Pool	39	45.3	38	45.2
Indoor Pool	20	51.3	25	65.8
Gym/exercise room	61	70.9	67	79.8
Sauna	60	69.8	59	70.2
Tennis/squash court	19	22.1	27	32.1
Indoor parking	81	94.2	83	98.8
Outdoor parking	13	15.1	22	26.2
Total	86	100.0	84	100.0

6. Selecting a Condominium

Following contemporary models of the decision to purchase a dwelling, the interview was structured to provide information separately about two related decisions; the reasons for purchasing a condominium rather than other forms of homeownership and the reasons for purchasing a specific condominium unit. Information about the reasons for buying a condominium rather than another form of ownership was solicited in four ways. In an open-ended question, owners were asked why they had purchased a condominium rather than a house or another kind of dwelling unit⁴. Owners were also asked the most important reason for purchasing a condominium. Subsequent questions asked them to rate whether each of nine possible reasons for buying a condominium was very important, somewhat important, not important. After rating each reason, owners were asked to indicate which of the nine specified reasons that had been rated very important was the most important.

6.1 The Tenure Decision

All owners emphasized the importance of lifestyle considerations when purchasing a condominium rather than freehold homeownership. Almost 40 percent of all owners volunteered that reduced maintenance responsibilities are the major reason for buying a condominium rather than another form of homeownership (Table 6). Another 11.7 percent of owners cited a convenient location and the security of condominium developments as major reasons for their tenure decisions. Financial considerations are almost equally important. Together, cost and investment potential were mentioned by 28.4 percent of all owners as the reasons for purchasing a condominium rather than freehold homeownership.

Resident owners placed more importance upon lifestyle considerations. Almost half, 46.9 percent, cited reduced maintenance responsibilities as the reason for their tenure decisions (Table 6). Another 17.5 percent mentioned the location and security of condominiums as reasons for their decisions. In contrast, nonresident owners mentioned financial reasons more frequently than lifestyle reasons. Altogether, 35.8 percent of nonresident owners mentioned cost and investment potential as the reasons for buying a condominium rather than another form of ownership (Table 6).

⁴ The interviewers were trained to explain the difference in ownership between condominiums and freehold dwellings, as required.

Table 6: Reason for Condominium Form of Homeownership (Frequency of Mention)

Reason	All owners		Resident owners		Non-Resident Owners	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Cost	30	17.7	14	16.3	16	19.1
Little maintenance	67	39.4	40	46.9	27	32.6
Investment	17	10.7	4	4.7	14	16.7
Location	14	8.2	10	11.7	4	4.8
Retirement	7	4.1	2	2.4	5	6.0
Security	6	3.5	5	5.8	1	1.2
Other	25	14.7	10	11.6	15	17.9
Missing	3	1.8	1	1.2	2	2.4
Total	170	100	86	100	84	100

When asked the most important reason for buying a condominium, owners continue to emphasize lifestyle concerns. Among resident owners, three reasons stand out; relative location, investment concerns, and a convenient and secure lifestyle (Table 7). The importance placed upon the relative location of condominiums, mentioned as the most important reason by 27.9 percent of resident owners, may reflect the composition of the sample that draws owners from condominiums within the City of Toronto. Resident owners may be expressing a strong desire for a central location and the lifestyle associated with living downtown. The majority of condominium developments in the City of Toronto provide easy access to downtown offices and all the cultural and entertainment facilities in central Toronto (City of Toronto 1988). Previous studies have noted that expensive downtown condominiums are attractive to owners who prize the convenience of living nearby cultural and recreational facilities and employment (van Weesep 1986, Skaburskis 1988a, Preston 1991).

Resident owners are also motivated by financial concerns. Investment concerns ranked second, mentioned by 16.4 percent of resident owners, as the most important reason for purchasing a condominium. This is dramatic evidence that condominiums are purchased for investment and

Table 7: Most Important Reason for Purchasing a Condominium

	Resident Owners		Non-Resident Owners	
	Frequency	Percent	Frequency	Percent
Investment	14	16.4	40	47.7
Location	24	27.9	3	3.6
Convenience/safety	13	15.2	5	6.0
Cost	8	9.3	2	2.4
Needed place to live	8	9.3	2	2.4
Ownership	3	3.5	0	0.0
Family needs/future needs	3	3.5	25	29.7
Other	11	12.8	6	7.1
Don't know	2	2.3	1	1.2
Total	86	100	84	100

lifestyle reasons even by those who live in them. Finally, the traditional attractions of condominiums, little maintenance for the owner and security services are mentioned by an almost equal number of resident owners, 15.2 percent.

The traditional reasons for homeownership are mentioned infrequently by resident owners of condominiums, with only 3.5 percent buying a condominium to achieve homeownership (Table 7). The low proportion confirms findings from a previous survey that noted a bifurcation of the condominium market between expensive downtown units and inexpensive suburban condominiums that were affordable to first-time homebuyers (Skaburskis 1988a). Our sample is drawn from the City of Toronto where expensive units now predominate (City of Toronto 1988), so few recent buyers are likely to purchase a condominium as a means of achieving homeownership. Resident owners are more likely to mention cost and the need for a place to live as the most important reason for purchasing a condominium (Table 7). Cost includes a variety of concerns ranging from good value for the money to minimizing maintenance costs.

Nonresident owners are mainly interested in the investment aspects of condominium ownership. Close to half of all nonresident owners, 47.4 percent, mentioned investment considerations as the most important reason for purchasing a condominium. Other reasons are mentioned far less frequently. The need to provide housing for family members including children at university, grandchildren and oneself in retirement and the closely related desire to provide for future housing needs were mentioned by 17.8 percent and 11.9 percent of nonresident owners, respectively.

These responses underscore the different motivations of nonresident and resident owners when deciding to purchase a condominium. Nonresident owners are mainly concerned with investment and future housing needs. Some nonresident owners are also purchasing condominiums to satisfy the current housing needs of extended family members, but theirs is primarily a future-oriented decision. In contrast, resident owners are more likely to mention lifestyle reasons, specifically, the downtown location of condominiums and their convenience as the most important reasons for purchasing a condominium. It is noteworthy that more than 15 percent of those who lived in their condominiums also mentioned investment as the most important reason for buying a condominium. Among resident owners, lifestyle considerations are foremost in their decisions to buy condominiums, but investment considerations remain influential.

6.2. The Relative Importance of Reasons for Purchase

The divergent motivations of resident and nonresident owners are highlighted again by the ratings given to the importance of each of nine specified reasons for purchasing a condominium. In both groups of owners, extreme ratings predominate, reasons are considered very important or not important with relatively few owners rating any of the reasons as somewhat important.

Responses from resident and nonresident owners are often skewed in opposite directions. Among resident owners, the convenient lifestyle of a condominium and the need for a place to live are rated very important by the largest proportions of owners, 48.8 percent and 47.7 percent, respectively (Table 8). The weight given to these reasons for purchasing a condominium is clear when we examine the ratings of all other reasons. Of the nine reasons that owners were asked to rate, these are the only two that were rated very important by resident owners more often than they were rated as not important. For all other reasons, the number of resident owners judging each reason as not important outnumbered the number who rated each as very important.

Table 8: Importance Ratings of Reasons for Purchase

	Resident Owner				Non-Resident Owner			
	Very important		Not important		Very important		Not important	
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent
Needed place to live	41	47.7	26	30.2	13	15.5	63	75.0
Investment	30	34.9	34	39.5	48	57.1	11	13.1
Convenience	42	48.8	18	20.9	16	19.0	58	69.0
Future retirement housing	17	19.8	56	65.1	24	28.6	45	53.6
Inflation protection	17	19.8	34	39.5	23	27.4	25	29.8
Price	20	23.3	46	53.5	31	36.9	35	41.7
* Starter for children	2	5.6	30	83.3	14	23.7	29	49.2
Income change	7	8.1	66	76.7	15	17.9	60	71.4
Change in family size	12	14.0	65	75.6	7	8.3	66	78.6

* Only asked those born before 1935 who were married, living with a partner, widowed, separated and divorced.

Investment concerns and protection against inflation emerged as somewhat important reasons for resident owners. Both reasons were rated very important or somewhat important by approximately 60 percent of all resident owners, however, their relative importance varied. Almost 35 percent of resident owners rated investment as a very important reason for purchasing a condominium compared with only 19.8 percent who rated inflation protection as a very important reason. The financial benefits of condominium ownership are clearly important to resident owners, but less important than the attributes of convenience and the need for a place to live.

Among the five remaining reasons for purchasing a condominium, several were not relevant to resident owners. Specifically, condominiums are not purchased in response to changes in family size and circumstances. Approximately three quarters of resident owners rated changes in family size were not important reasons for their decisions to purchase a condominium. Of those who were likely to be concerned with providing a starter home for adult children, 83.3 percent judged this reason was not important in their purchase decision. Finally, approximately 65 percent of resident owners did not consider that their future housing needs at the time of retirement were important reasons for purchasing a condominium. The majority of resident owners also rated income changes and price as not important.

Nonresident owners are even more consistent than resident owners, with more than 50 percent rating investment concerns as a very important reason for purchasing a condominium (Table 8). Only two other reasons are rated very or somewhat important by more than 50 percent of all nonresident owners; a reasonable price and the protection against inflation provided by a condominium (Table 6). All other reasons for purchasing a condominium were rated not important by at least 49 percent of all nonresident owners. The importance ratings underline the financial motives of nonresident owners who purchase condominiums as investments in response to price and inflation expectations. Future housing needs generated by retirement and the desire to assist adult children trying to enter the housing market figure in the decisions to purchase of some nonresident owners, but the frequencies with which these reasons were judged somewhat or very important are low relative to those for investment considerations. The convenient lifestyle of condominiums did not enter into many decisions.

Responses to the question, "Of the reasons that you rated very important, which was the most important?" underscored the influence of investment considerations on the purchase decisions of resident and nonresident owners. Of those who had rated investment as a very important reason, a third of resident owners and more than 44 percent of nonresident owners judged it to be the most

important reason for purchasing a condominium. For resident owners, the convenient lifestyle of condominiums in which individual owners are not responsible for routine maintenance and repairs ranked a close second with more than 30 percent of all resident owners who had rated it as very important considering lifestyle to be the most important reason for purchasing a condominium. The importance of lifestyle to resident owners is underscored by the third reason judged most important by those who had evaluated it earlier as very important; the need for a place to live. Clearly, resident owners of condominiums base their decisions to purchase on a combination of lifestyle and investment reasons. In contrast, nonresident owners are more concerned with investment opportunities and future housing needs. Nonresident owners were more likely than resident owners to judge the need for housing after retirement as the most important reason for purchasing a condominium. Of nonresident owners who had rated housing needs after retirement as a very important reason for purchasing a condominium, more than one fifth (21.3 percent) judged it to be the most important reason for their purchases.

6.3. Reasons for Purchasing a Specific Unit

The reasons for purchasing a specific condominium unit may well be related to the reasons for buying a condominium rather than a freehold property. Nevertheless, previous studies of residential decisions have revealed that having narrowed the range of choices to a set of alternative acceptable vacancies, homebuyers make their final selection on the basis of diverse criteria (Clark 1986). To identify the factors that contribute to the attractiveness of condominiums for resident and nonresident owners, information about the reasons for buying a specific condominium was solicited by a parallel series of open-ended and structured questions. Asked the most important reason for buying the unit, owners were then asked to rate the relative importance of specified reasons and to indicate which of the specified reasons judged to be very important was the most important.

6.4. Reasons for Buying a Specific Condominium

Condominiums are chosen mainly on the basis of their location in a specific neighbourhood (Table 9). Both resident and nonresident owners mentioned the location of the condominium unit in a particular residential area as the most important reason for buying the condominium more often than any other reason. Indeed, more than half of all resident and nonresident owners, 54.7 percent and 58.3 percent, respectively, mentioned that location was the most important reason for buying a

Table 9: Frequency of Most Important Reason for Buying a Specific Condominium Unit

	Resident		Non-Resident	
	Frequency	Percent	Frequency	Percent
Neighbourhood	47	54.7	49	58.3
Convenient location	19	21.9	11	13.1
Price	9	10.5	11	13.1
Investment	1	1.2	2	2.4
Building amenities/type	7	8.2	2	2.4
Other	3	3.5	7	8.3
Missing	0	0.0	2	2.4
Total	86	100.0	84	100.0

specific unit. Another 10 to 20 percent of nonresident and resident owners mentioned location and another housing attribute as the most important reason for their purchases. With the overwhelming emphasis given to the location of condominium units in the selection of a specific unit, it is not surprising that the other reasons were mentioned by fewer than 10 percent of either group of owners.

At least in our sample of owners, location is the overriding consideration when choosing among alternative condominium units. The weight given to neighbourhood location is consistent with the earlier evidence that buyers were choosing condominiums rather than other forms of homeownership to obtain a convenient, central location. The composition of the sample that includes only owners of new condominiums in the City of Toronto may have contributed to the salience of location. The developments are concentrated in the downtown core where residents enjoy a unique lifestyle. In addition, the condominium developments and individual units in our sample are very similar in terms of their age, size of units, and common facilities. With so many attributes in common, specific condominium units may be chosen largely on the basis of location, one of the few attributes with discernible variation.

6.5. Relative Importance of Reasons for Buying a Specific Condominium

The importance ratings confirm the weight given to location by condominium buyers. Of the five reasons that owners were asked to rate as very important, somewhat important, and not important, more than 80 percent of resident and nonresident owners rated a convenient location as a very important reason for choosing the current condominium unit (Table 10). Although a higher proportion of resident owners than nonresident owners rated a convenient location as a very important reason for choosing the condominium unit, there is overall agreement between the two groups of owners. No other reason is rated very important by as many condominium owners.

A review of the importance assigned to other reasons reveals that resident owners are somewhat more concerned with attributes of the condominium that will affect their consumption of housing services from the unit. An attractive neighbourhood, the interior layout and the unit's size are judged to be very important or somewhat important by the vast majority of resident owners, 89.9 percent, 90.7 percent, and 87.1 percent, respectively. Nonresident owners place almost equal weight upon the importance of an attractive neighbourhood, with 84.5 percent judging it to be very important or somewhat important. However, nonresident owners place far greater importance upon a good price as an important reason for purchasing a specific condominium. While 94.1 percent of nonresident owners rated price as a very important or somewhat important reason for purchasing a condominium unit, only 85.1 percent of resident owners judged this reason important. Furthermore, nonresident owners were far less influenced by the layout and size of the condominium unit (Table 10).

Resident and nonresident owners' agreement on the desirable attributes of condominiums was confirmed when each owner who had rated any reasons as very important was asked to choose the most important among them. Locational concerns stand out as the most important considerations for condominium buyers. A convenient location was chosen as the most important reason by 50.0 percent of resident owners, with another 14.1 percent deciding that an attractive neighbourhood was the most important reason for buying a condominium. Among nonresident owners, a convenient location was chosen as the most important reason for purchasing a specific condominium by the second largest group of buyers, 31.4 percent, followed closely by 24.3 percent of buyers who considered an attractive neighbourhood to be the most important attribute.

Price and good value for money are also important concerns. Nonresident owners were slightly more likely to consider that price, good value for money, was the most important of all the

Table 10: Importance Ratings for Reasons for Buying

	Resident Owner (percent)			Non-Resident Owner (percent)		
	Very important	Somewhat important	Not important	Very important	Somewhat important	Not important
Interior layout	50.0	40.7	9.3	36.9	35.7	25.0
Unit Size	48.8	38.4	12.8	44.0	31.0	22.6
Attractive neighbourhood	73.3	16.3	10.5	70.2	14.3	11.9
Convenient location	93.0	4.7	2.3	82.1	8.3	8.3
Price, Value for money	61.6	23.3	12.8	78.6	15.5	4.8

reasons that he or she had rated as very important. More than a third, 34.3 percent, of all nonresident owners rated price as the most important reason for choosing a specific condominium. In contrast, only 19.2 percent of resident owners attached equal weight to price when choosing their condominium units.

It is noteworthy that the interior characteristics of condominium units were not assigned much weight by either resident or nonresident owners. It may well be that there is little variation in these attributes among units in buildings constructed since 1984 in the City of Toronto.

6.6. Summary

As we had expected, condominiums are purchased primarily as investments by nonresident owners. Although many nonresident owners are interested in buying condominiums to provide for future housing needs upon retirement and to provide housing for extended family members, investment reasons stand out as the most frequently mentioned and most important reason for buying a condominium. The motives of resident owners are more complex, investment reasons are combined with the desire for a convenient, low maintenance lifestyle, at a central location nearby the cultural and recreational amenities of the downtown.

Location is the principal reason for selecting a specific condominium unit. Resident and nonresident owners gave more importance to the condominium's location than to any other attribute. Again, the composition of the sample may have exaggerated the weight assigned to location. Recent condominium developments in the City of Toronto that are mainly in the city centre are likely to appeal to people who assign great weight to a central location. Certainly, location is the most salient attribute of condominium developments in our sample.

7. Financial Aspects of Condominium Ownership

Several aspects of condominium ownership including purchase prices, ongoing expenses such as utility costs, maintenance fees for common areas, and mortgage interest rates, and rental incomes influence the financial merits of this type of investment. An investor's response to prices, expenses and revenues will depend upon income and price expectations particularly, expected changes in housing prices. To explore the financial aspects of condominiums, information about purchase prices, monthly costs and intentions to sell were elicited from each owner. Nonresident owners also provided information about the rental income and their experience renting the condominium.

7.1 Purchase Price and Carrying Costs

On average, nonresident owners paid a lower price than resident owners (Table 11). The mean purchase prices differed significantly ($p \leq 0.01$), \$206,687 for resident owners and \$144,000 for nonresident owners. The median prices reveal a similar pattern, \$175,000 for resident owners and \$130,000 for nonresident owners. Nonresident owners were mainly interested in buying inexpensive condominiums. More than 70 percent of nonresident owners paid between \$100,000 and \$199,999 for their condominiums. The distribution of prices paid by resident owners is much flatter, approximately half, 48.9 percent paid less than \$199,999 while an almost equal number paid at least \$200,000.

Nonresident owners were likely to pay lower prices for at least two reasons. Resident owners paid more to obtain larger units. Recall that nonresident owners were more likely than owner occupants to buy small one bedroom units at lower cost. Many nonresident owners had also bought in 1985 and 1986 when prices were lower.

The value of condominiums as investments depends upon two types of costs, purchase prices and carrying costs. Carrying costs include monthly mortgage costs, condominium fees and ancillary utility costs. Mortgage costs are influenced by prevailing interest rates, the purchase price, and the size of the downpayment. Condominium fees set by the condominium board for each development are intended to cover the costs of providing ongoing services, regular maintenance, and a reserve fund intended for major repairs. The services may include shared utilities, provision of sports, recreation, parking and security services, and janitorial and management services. The costs of regular maintenance and provision for the reserve fund depend upon a host of factors including the age of

Table 11: Purchase Price of Condominiums

	Resident		Non-Resident	
	Frequency	Percent	Frequency	Percent
<u>Purchase Price</u>				
\$100,000	6	7.0	10	11.9
\$100,000 - \$199,999	36	41.9	55	65.5
\$200,000 - \$299,999	20	23.3	11	13.1
\$300,000 - \$399,999	11	12.8	2	2.4
\$400,000 - \$499,999	2	2.3	0	0.0
\$500,000 - \$599,999	3	3.5	0	0.0
<u>Missing</u>	8	9.3	6	7.1
Number	86	100	84	100
Mean	\$206,687		\$144,00	
Median	\$175,000		\$130,000	

the development, the quality of original construction and the preferences of board members and the owners who they represent.

In light of the variety of expenses that influence monthly carrying costs, it is not surprising that these costs range widely, from \$0 to more than \$1,750 per month (Table 12). For resident and nonresident owners, carrying costs tend to be high, with the median ranging from \$1,000 to \$1,249 per month for both groups.

Table 12: Monthly Carrying Costs 1990

Estimated Monthly Costs (dollars)	Resident		Non-Resident	
	Frequency	Percent	Frequency	Percent
0	2	2.3	2	2.4
1 - 249	1	8.1	4	4.8
250 - 499	13	15.1	7	8.3
500 - 749	9	10.5	6	7.1
750 - 999	5	5.8	0	0
1,000 - 1,249	8	9.3	21	25.0
1,250 - 1,499	4	4.7	10	11.9
1,500 - 1,749	14	16.3	14	16.7
1,750 or more	9	10.5	8	9.5
Missing	15	17.4	12	14.3
	86	100.0	84	100.0
Mean	\$1011.35		\$1126.42	
Median	\$914.00		\$1135.00	

7.2. Condominium Rentals

In our sample, few resident owners rent space. Only 2.3 percent of all resident owners rented any space in the current unit. Condominium rentals are the purview of nonresident owners who rent the entire unit. For these owners, monthly carrying costs are an important determinant of the success of a condominium as an investment. Monthly carrying costs set a floor under condominium rents, such that owners whose rents fall below this floor must cover carrying costs from other sources. Although capital gains derived from rising condominium prices are an important determinant of a condominium's value as an investment, the extent to which rental incomes can reimburse monthly carrying costs is also a crucial consideration (Lithwick 1987).

The investment concerns of nonresident owners are highlighted by the reasons volunteered for renting their condominiums. The largest number of nonresident owners, 39.0 percent, rent their condominiums for extra income. Another 10.4 percent rent for investment reasons, while an equal number are renting their units while they wait to see what will happen with the condominium market and another 3.9 percent are renting because they were unable to sell their condominiums. In total, more than 60 percent of those who rent their condominiums were renting for financial reasons.

Lifestyle considerations were mentioned by another fifth of all nonresident owners. While 16.9 percent of those renting their units were providing space for family and friends, only 5.2 percent were renting to have a unit available for retirement or future housing needs. Nonresident owners in downtown Toronto are consistent when explaining their rationale for buying condominiums. The reasons elicited for renting units echo those mentioned for buying a condominium in the first place. Nonresident owners bought and rent condominiums primarily for financial gain. A minority of nonresident owners is also concerned to provide housing for other family members and future needs.

The financial motivations of nonresident owners are underscored by the identities of their tenants. Before renting the condominium, the majority of tenants were not known to owners. Approximately 20 percent of nonresident owners were related to their tenants and another 4.8 percent knew the tenants before they rented the condominium. In 75 percent of cases, the condominium was rented to strangers. Among tenants who are related to owners, children predominate. The sample is small, only 14 owners, so any conclusions are necessarily tentative. However, children were the tenants for 11 of the 14 owners who were renting to relatives.

In light of their preoccupation with investment concerns, it is surprising that many nonresident owners reported rental incomes did not cover their monthly costs. Approximately one quarter of nonresident owners, 28.1 percent, reported that rents covered monthly costs, while the majority, 71.9

percent, reported that rents were insufficient to cover costs. Rents for condominiums are much lower than carrying costs, on average (Table 13). For nonresident owners, the median monthly rent is approximately \$1,160.00 versus median carrying costs of \$1,300.00.

Table 13: Monthly Rent for Condominium Units

	Frequency	Percent
0	5	6.5
1 - 249	0	0.0
250 - 499	1	1.3
500 - 749	1	1.3
750 - 999	11	14.3
1,000 - 1,249	32	41.6
1,250 - 1,499	10	13.0
1,500 - 1,749	7	2
1,750 or more	2	2.6
Missing	8	10.4
Number	77	100.0

A comparison of condominium owners whose rental income covered monthly carrying costs with those who were suffering a loss provided some insight into this unexpected finding. Rents in the Toronto housing market exacerbate the difficulties of condominium owners who are losing money. Half the condominiums where rents cover monthly costs are two-bedroom units, while only a third of condominiums that are rented at a loss are that big. Until recently, a shortage of large apartments

meant that they commanded high rents. High rents are needed to meet the relatively high average monthly costs.

Nonresident owners who are renting their condominiums at a loss have bought condominiums primarily as investments. Asked the most important reason for buying a condominium, owners suffering a loss overwhelmingly mentioned investment reasons, while those whose rents covered their costs had bought a condominium to meet future housing needs. Although both groups of nonresident owners plan to keep their condominiums for the next two years, there are revealing differences in their responses to price changes. While almost half of the nonresident owners who are suffering financial losses would sell if prices rose by 25 percent, only 26.7 percent of owners whose rents cover costs would sell. Even more startling are the divergent responses to declining prices. If prices fell by 25 percent, only 4.3 percent of owners who are losing money would sell, whereas 20 percent of those whose rents cover costs would sell. Owners who are losing money by renting their condominiums bought them primarily as investments, probably to take advantage of rising prices. Recall that average condominium prices rose dramatically from 1986 until 1989, the last year when respondents to the survey would have purchased. In the second half of 1990 when condominium prices had only begun to fall, these investors intended to hang on to their assets until prices rose again.

It is noteworthy that owners who are currently losing money are better educated, wealthier, and more likely to be of Asian, Southern European or Other European background than owners whose rental incomes cover their costs. Cultural values that emphasize homeownership may have encouraged people from specific ethnic backgrounds to invest in the condominium market. The same cultural values may deter them from abandoning these investments as prices fall.

7.3. Intentions to Sell

The majority of condominium owners do not expect to sell their units in the short term. Asked to rate the likelihood of selling the current unit as very likely, somewhat likely, and not likely, the majority of resident and nonresident owners indicated that they were not likely to sell within the next two years (Table 14). For both groups, more than 60 percent of all owners did not expect to sell their condominiums in the next two years. There is no difference between the proportions of resident and nonresident owners who are likely to sell.

Owners are relatively insensitive to price changes. Among those who were somewhat likely or not likely to sell their condominiums, the likelihood of selling increased only slightly if prices rose by 25 percent within the next two years. Another 10 percent of resident and nonresident owners would be very likely to sell their condominiums if prices rose. The increase in sellers is much slower proportionately than the increase in prices. Another 25 percent of each group would also be somewhat likely to sell if prices rose. Again, it is noteworthy that resident and nonresident owners have similar expectations about their responses to price changes.

Our data provide no evidence that nonresident owners who have purchased condominiums are likely to respond more dramatically to changes in the prices of condominiums than resident owners. At least in the City of Toronto, there is no reason to expect that investors will abandon their purchases as condominium prices fall. Recent concerns (Lithwick 1987) that condominium owners will jeopardize the financial health of developers and the agencies that have guaranteed their mortgages by walking away from their investments do not appear to be true. However, it is important to emphasize that condominiums in our sample are expensive, with an average purchase price of almost \$175,000. Even though individual units may be purchased with proportionally small downpayments, the sums of money involved are still substantial which may deter outright abandonment of the investment. Furthermore, nonresident owners are more likely to have purchased their units prior to 1988 than resident owners. Investors are a declining proportion of buyers in new developments. Our sample is comprised of investors who seem to be interested in long-term returns, rather than short-term gains.

The willingness of nonresident owners to hold condominiums in the face of declining prices may reflect the small scale of their investments. The majority of condominium owners have ever owned only one unit, more than three quarters of resident owners, 76.7 percent, and more than half of nonresident owners, 57.2 percent (Table 15). Although resident owners are more likely than nonresident owners to own only one unit, close to three quarters of all nonresident owners currently own only one condominium.

Table 14: Intentions to Sell of Resident and Nonresident Owners

Intention	Resident Owner		Non-Resident Owner	
	Frequency	Percent	Frequency	Percent
Likely to Sell Within Two Years				
Very likely	9	10.5	8	9.5
Somewhat likely	20	23.3	15	17.9
Not likely	53	61.6	54	64.3
Don't know/refused	4	4.7	0	0.0
Total	86	100	84	100
If Prices Rise 25% *				
Very likely	7	9.1	8	10.5
Somewhat likely	20	26.0	17	22.4
Not likely	47	61.0	44	57.9
Don't know/refused	3	3.9	7	9.2
Total	77	100	76	100

* Owners who were very likely to sell within two years were not asked this question.

Table 15: Residential History of Resident and Non- Resident Owners

Number of Condominiums Ever Owned	Resident Owner		Non-Resident Owner	
	Frequency	Percent	Frequency	Percent
1	66	76.7	48	57.2
2	14	16.3	18	21.4
>2	4	4.7	15	18.0
Missing	2	2.3	3	3.6
Number of Condominiums Currently Owned				
1	75	87.2	58	69.0
2	9	10.5	10	11.6
>2	0	0.0	12	14.0
Missing	2	2.3	4	4.7
Total	86	100.0	84	100.0
Respondent/Spouse Owners				
Yes	78	90.7	72	85.7
No	6	7.0	12	14.3
Missing	2	2.3	0	0.00
Total	86	100	84	100

8. Condominium Occupants: 1983 and 1990

A national survey of condominium occupants in 1983 allows us to compare the characteristics of current condominium residents with previous residents. Details of the survey are available in A. Skaburskis and Associates (1985), but three aspects warrant attention here. The survey was conducted nationally, so only 114 responses were obtained in the City of Toronto. Since 1983, condominium development has been concentrated near the centre of the city. As a result the 1983 sample is likely to include more condominiums from the outskirts of the city. The national survey did not include nonresident owners, so they are not considered in the comparison. Finally, the two questionnaires differ in several respects, so a limited number of variables are available for comparison (Table 15). The attributes of the condominiums, residents' characteristics, and the reasons for the tenure decision and the selection of a specific unit are compared.

8.1 Condominium Attributes

The attributes of condominiums in the City of Toronto changed very little between 1983 and 1990. The majority of condominiums are still in high-rise apartment buildings. Although the proportion of condominiums in high-rise buildings seems higher in 1983, 77.7 percent versus 52.3 percent, much of the decline is due to differences in asking the question. In the 1990 survey, residents used their own categories to distinguish between high-rise and low-rise buildings. Efforts to check these categories were stymied by people's inability to estimate the number of floors in their buildings. We suspect that a higher proportion of condominiums are actually in buildings with six or more floors. The average size of condominiums has declined. In 1983, only 7 percent of condominiums were studio or one-bedroom apartments. By 1990, these two sizes accounted for 45.6 percent of all condominiums.

Condominium prices have risen as their size has diminished, but not as rapidly as the entire market. At first glance, the average purchase price of \$206,687 paid by owner-occupants in our sample is much more than the mean price of \$151,950 paid by occupants of units surveyed in 1983, however, the increase represents a nominal change of only 36.0 percent. Between 1983 and 1990, nominal monthly costs of condominium ownership rose by 41.3 percent from \$716 per month to \$1011.35 per month. At least among these two samples of condominium occupants, the monthly costs of condominium occupancy have not increased rapidly.

8.2. Characteristics of Owner-Occupants

The average age of resident condominium owners has declined since 1983, accounting for minor changes in employment and marital status. As mentioned earlier, at least one observer (Townley 1988) has speculated that condominiums are now attractive to young, single professionals working downtown. The results from our survey support this speculation. The proportion of condominium occupants who are 40 years of age or less has increased from 22.0 percent in 1983 to 41.8 percent in 1990. Occupants over the age of 49 now account for only 32.5 percent of all condominium residents compared with 58.9 percent in 1983. Being younger, owner occupants in 1990 are more likely to work and less likely to be married than their counterparts in 1983.

8.3. Reasons for Tenure Decision and Residential Decision

Despite the changing demographic characteristics of condominium owners, the major reason for buying a condominium rather than another form of homeownership remains the convenient lifestyle, at least among resident owners. In 1983, 40.3 percent of resident owners rated less upkeep as the most important reason for choosing a condominium rather than some other form of residential tenure. An even higher proportion of owners, 46.9 percent, mentioned little maintenance as the most important reason in 1990. Cost also continues to be important for between 15 percent and 20 percent of owners, while location is the most important reason for buying a condominium for another 10 to 15 percent of owners in both years. The major change is the declining importance of common facilities. In 1983, 13.4 percent of owners ranked facilities as the most important reason for buying a condominium. By 1990, facilities were mentioned so infrequently that they were aggregated with a variety of concerns under other. Currently, there is little variation in the common facilities among condominium developments which may reduce their importance to potential buyers.

The main reasons for choosing a specific condominium are also fairly consistent between 1983 and 1990. In 1983, the most important attribute of the unit was its location, ranked first by 66.9 percent of occupants. In 1990, 54.7 percent of resident owners mentioned that neighbourhood was the most important consideration when choosing among available condominiums and another 21.9 percent mentioned a convenient location as the most important attribute. The relative importance of less frequently mentioned reasons has altered slightly. For example, in 1990, less than 4 percent of resident owners mentioned interior layout as the most important reason for selecting a unit compared with 14.5 percent of owner occupants in 1983. Some of the changes are due to differences

in the survey instrument since a much larger proportion of resident owners rated interior layout as important when it was supplied in a closed ended question.

The persistence of the reasons for purchasing a condominium suggests that condominiums are attractive to people seeking a convenient lifestyle. In the City of Toronto, condominium occupants continue to choose this form of tenure because of the freedom from maintenance responsibilities and the convenience of a central location. Even though their demographic characteristics have changed, condominium occupants are basing their decisions on the same criteria.

9. Conclusions

This study has compared the social background of resident and nonresident condominium owners in central Toronto. Information from a questionnaire survey confirmed a number of popular preconceptions about condominium owners in Canadian central cities, but other stereotypes concerning the scale of operation and investment behaviour of nonresident owners may not be valid.

As expected, condominium owners were better off and better educated than the majority of residents. In 1983, Skaburskis (1988a) first noted the appeal of expensive downtown condominiums in Canadian central cities to well off, middle-aged buyers. This group still dominates in the city of Toronto where recent condominium buyers had incomes above the norm. People investing in real estate by buying a condominium are even better off than owner occupants. Incomes of nonresident owners were significantly higher than those of resident owners.

No single ethnic group dominates the condominium market in downtown Toronto. The largest number of owners reported Canadian, British or French ethnicity. Nonresident owners were more likely than resident owners to come from other ethnic backgrounds. New ethnic groups, specifically South Asians, were well represented among both groups of owners, while well established immigrant groups, particularly Southern Europeans, were more likely to be nonresident owners.

Resident and nonresident owners bought similar condominiums in the city of Toronto. Apart from the date of purchase and size of the unit, there were few differences in the attributes of condominiums. The majority were apartments in new developments. Nonresident owners had bought somewhat earlier than resident owners. After 1986, resident owners accounted for a growing share of buyers in each year. At least in our sample, nonresident owners who were buying condominiums as investments reacted adversely to rising prices. Nonresident owners also bought smaller condominiums, studios and one-bedroom apartments, than resident owners of whom the majority owned two-bedroom units.

The similarities among condominium developments are striking. Most offered similar services and facilities to residents of apartments that were similar in size and age. Despite developers efforts to distinguish developments from each other, the survey data highlights the commonalities. The consumer is buying similar housing services at every location. Indeed the similarity among condominium developments may contribute to the importance that resident and nonresident owners assign to location when selecting a unit. Location in its broadest sense, encompassing the social, built, and situational aspects of a neighbourhood may be one means of distinguishing among otherwise

similar condominiums. Condominium buyers may also want central location that offers a downtown lifestyle with convenient and easy access to employment cultural activities, and recreational facilities.

The purchase decisions of resident and nonresident owners differed slightly. Investment factors, particularly reasonable price and protection against inflation, are the major considerations in the purchase decisions of nonresident condominium owners. In contrast, resident owners placed more importance upon convenience and lifestyle considerations, particularly the reduced home maintenance that a condominium offers. Investment concerns were also important to resident owners, but not to the same extent as for nonresident owners.

The major reason for buying a condominium rather than another form of homeownership has not changed very much since 1983. In 1990, resident owners emphasized the importance of low maintenance and a convenient lifestyle as much as they had in 1983.

Interestingly, resident owners paid significantly higher prices than nonresident owners. In part, this is accounted for by the larger units purchased by resident owners and the steady rise in condominium prices towards the end of the 1985-1989 period when resident buyers predominated. Despite paying lower prices for their condominiums, nonresident owners had carrying costs as high as those of resident owners. Nonresident owners appear to have made smaller financial commitments resulting in larger mortgages than those of resident owners.

There seems to be no basis for the concern that nonresident owners might abandon their investments. Both groups of owners were long-term investors. More than two-thirds of resident and nonresident owners were unlikely to sell over the next two years. Even a 25 percent increase in the value of their units did not substantially shift the likelihood of selling. The reluctance to sell is surprising since rents did not cover the monthly carrying costs of more than 70 percent of nonresident owners. Perhaps the small scale of most condominium investments, few nonresident owners had ever bought more than one unit, encourages investors to take a long-term view. At least in central Toronto, investors who bought condominiums were operating on a small scale for long-term gains.

This study has considered only one segment of the condominium market in the Toronto region - relatively expensive units in the central city. As noted previously, the market is diverse and a large number of condominiums have been built in Toronto's suburbs catering to a different market and possibly a different type of nonresident owner with different investment values than found for the City of Toronto. It would be useful to extend the study to determine whether the social characteristics and the factors that influenced the decision to purchase a condominium differ for both resident and nonresident owners in Toronto's suburban fringe.

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