

HOUSING MARKET INSIGHT

Greater Toronto Area



CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: August 2019

"By monitoring changes in demographic trends, financial conditions, and the preferences of seniors, we gain a better understanding of the effects of an ageing population on the housing system, particularly its impact on housing supply."



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Seniors Housing Profile in the Toronto CMA

Key Findings

- Between 2006 and 2016¹, the share of homes in the Toronto CMA² owned by households headed by seniors aged 65 and over increased by 4.5 percentage points to reach 25%. The share of townhomes owned by seniors³ saw the greatest increase from 11.5% to 17.0%.
- Increases in labour force participation translated into greater income growth for seniors in Toronto.
- The income⁴ difference between renter and homeowner households headed by seniors widened further, with the gap between their median incomes reaching 130.4% in 2016.
- The proportion of renter households headed by seniors who are in core housing need⁵ edged lower, nevertheless remained well above the rate for younger counterparts.
- While more seniors took debt into their retirement in 2016 compared to a decade ago, they experienced a faster increase in net worth compared to younger generations.
- Stronger income and wealth growth have increased access to an array of housing choices that can be made by seniors.
- The trend of rising homeownership rate among seniors may continue, which will translate into less supply being freed up for younger generations.

Introduction

Population ageing, which is driven by declining fertility rates, increasing life expectancy and a large baby boom cohort growing older, is a worldwide phenomenon. Toronto is not exempt, as the number of people reaching the age of retirement has been accelerating. In 2016, seniors, represented 14.0%⁶ of the Toronto population, up from 11.3% in 2006. The Ontario Ministry of Finance has projected that over the next decade the average annual population growth for seniors will be around 4%, which will bring their share to 18.2% in 2026.⁷

Historically, seniors have played an essential role in shaping local housing market conditions and with a faster rate of population growth, their impact is expected to rise. One of the key ways how older citizens affect housing market conditions is through the downsizing process. When seniors decide to move to accommodations that better meet their needs, in many cases, they vacate family sized home and thus free-up units for younger generations. This edition of Housing Market Insights examines whether changes in selected measures of economic well-being such as employment, income, and wealth, as well as demographic characteristics of families headed by seniors can point to potential changes in the future downsizing patterns and housing choices to be made by older residents in Toronto.

Demographic Snapshot

Over a 10-year period ending in 2016, the number of households with the primary senior maintainer⁸ in Toronto increased by 39.3%. During this same period the overall CMA's growth, at 18.6%, was less than half that rate. Seniors made up 22.1% of the total number of households, up from 18.8% in 2006.

The one-person households in the Toronto area headed by a senior recorded the lowest increase, causing the proportion of this family type to decline between 2006 and 2016 census years. On the other hand, the share of multigenerational households and non-family households increased. Yet, their combined share remained relatively low, reaching 6.2% in 2016 (Table 1). The couple households, whose share edged up to 36.1% in 2016, remained the most common family type.

Homeownership Rate

The homeownership rate tends to grow from the early employment years, to reach its peak when adults are in their 50s and 60s and then edges down during the retirement years when some seniors opt out of homeownership to boost their retirement income or when they move into a space that better fits their lifestyle and needs.⁹

Seniors were more likely to own their homes in 2016 than they were a decade earlier. The homeownership rate among Torontonians aged 65 and over increased to 75.1% from 73.4% in 2006 (Table 2) as improvements in their health conditions, employment participation rate, and financial situations (which will be discussed later in this report) have facilitated it.

With the rising homeownership rate and faster increases in older population, seniors now own a greater share of homes in Toronto. In 2016, they owned 25.0% of homes in the area, compared to 20.4% a decade earlier. The share of single-detached and condominium apartments reached 25.5% and 28.5%, respectively, up from 20.6% and 25.2% in 2006. The share of townhomes saw the greatest increase from 11.5% in 2006 to 17.0% in 2016.

Table 1: Toronto CMA Distribution (%) of Senior Households by Family Type

	2006	2016
Couple	35.6%	36.1%
Couple with children & Lone-parent	20.9%	21.9%
One-person	38.2%	35.8%
Multiple-family	3.2%	3.9%
Non-family	2.0%	2.3%

Source: Statistics Canada (Census of Canada and National Household Survey)

Table 2: Toronto CMA Homeownership Rate in Households Headed by a Senior

	2006	2016
Couple	84.9%	86.1%
Couple with children & Lone-parent	85.0%	83.0%
One-person	55.2%	58.1%
Multiple-family	89.7%	89.6%
Non-family	68.9%	66.6%
Total	73.4%	75.1%

Source: Statistics Canada (Census of Canada and National Household Survey)

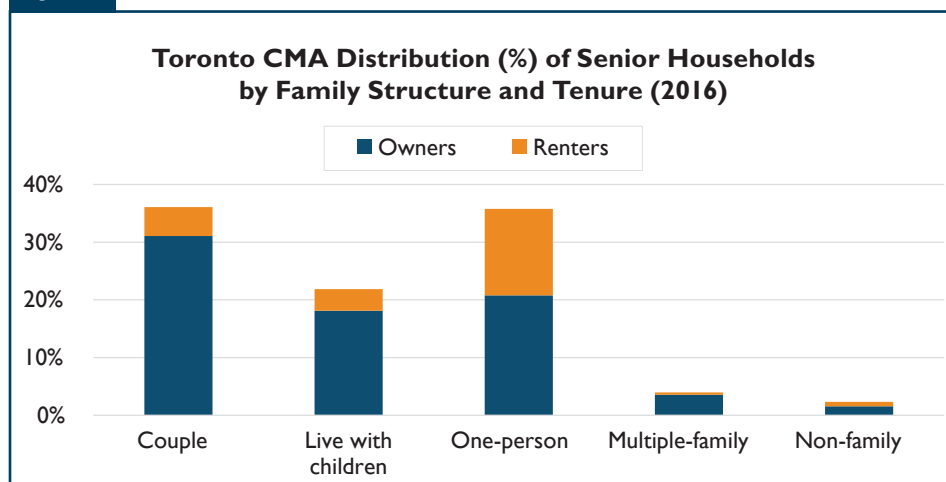
Housing Tenure

The overall share of seniors living in apartments edged lower to 41.9% in 2016 from 43.3% in 2006, despite some increase in the share of condominium apartment homeowners. The majority of senior renters chose apartments (purpose-built and condominiums), however, their ratio declined to 89.4% in 2016 from 92.0% (Table 3) a decade earlier, with more seniors preferring to rent ground-oriented homes (single-detached, semis and townhouses). This shift was likely caused by declining vacancy rate of rental apartments. Furthermore, many seniors live in the “yellow belt”¹⁰ communities in the City and it is where some would prefer to remain in order to stay connected to family and friends and where they tend to have better access to transit and amenities. However, limited high-rise construction in their communities has prompted some seniors to rent ground-oriented homes there. Improved health conditions of seniors, changes in their preferences and financial circumstances that have allowed them to pay relatively higher rents, contributed to this trend as well.

The overall share of seniors residing in single-detached homes remained virtually unchanged at 44.5%. The ratio of single-detached homeowners edged lower to 57.5% in 2016 from 59.5% a decade earlier (Table 3), which was offset by a higher ratio of seniors renting single-detached homes.

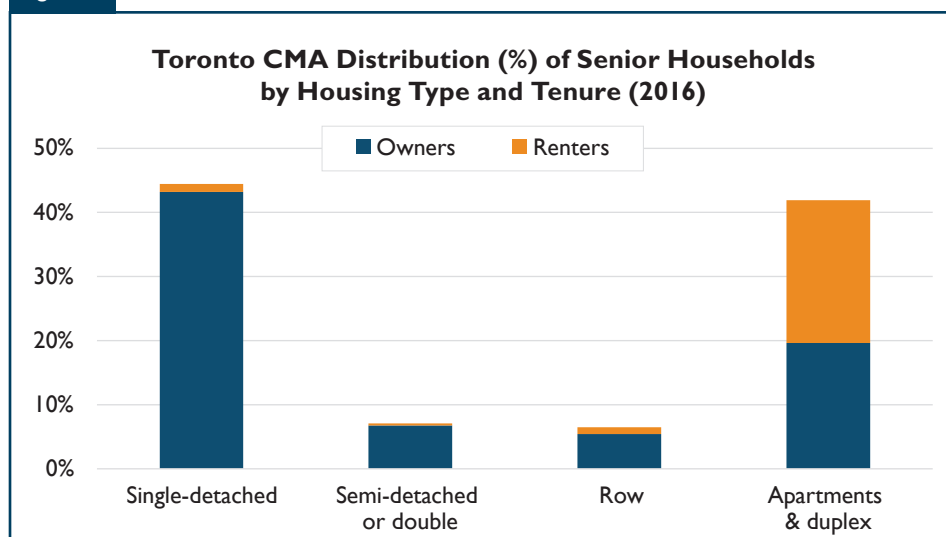
Due to stronger demand from both owners and renters, the share of seniors residing in town houses edged up to 6.5% in 2016 from 4.7% in 2006.

Figure 1



Source: Statistics Canada (Census 2016)

Figure 2



Source: Statistics Canada (Census 2016)

Table 3: Toronto CMA Distribution (%) of Owner and Renter Households Headed by a Senior by Housing Type

	Owners		Renters	
	2006	2016	2006	2016
Single-detached house*	59.5%	57.5%	4.2%	5.0%
Semi-detached and double house	9.4%	9.0%	1.0%	1.3%
Row house	5.3%	7.2%	2.9%	4.3%
Apartment & duplex	25.7%	26.2%	92.0%	89.4%

*Includes single-attached houses

Source: Statistics Canada (Census of Canada and National Household Survey)

Income

The share of working seniors has increased between 2006 and 2016 censuses, which was evident among both owner and renter households. In 2016, employment became the primary source of income (including self-employed) for close to one-third of homeowner households, compared to 20% among renters (Table 4). With more seniors working, fewer have been reliant on income from government sources compared to a decade ago. Among homeowners, there has been a strong increase in the share of retirees for whom pensions (public and private) were their primary source of income. These trends have translated into faster income growth for seniors.

In 2016, median household income headed by a senior surpassed \$59,000 (Table 5), up 50.6% in nominal terms from a decade ago. The greater rate of income growth was driven by senior homeowners. Among renters, the incomes of seniors were lagging behind those of younger counterparts. Historically, across all age groups, homeowner households tend to have higher incomes compared to renters. However, over the past years more young professionals with high earnings have been renting in Toronto, thus contributing to a decrease in the income gap between renters and homeowners in the younger cohorts. For seniors though, the income difference between renters and homeowners widened further.

Financial Snapshot

Net worth (also referred to as wealth) is defined as the difference between the value of total asset¹¹ holdings and the amount of total indebtedness.¹²

The typical household accumulates wealth during their working years, and then uses it to some extent during retirement.

Over the past decade, seniors in Toronto have seen a strong growth in the values of their liquid assets such as deposits in financial institutions, TFSAs and stocks (Table 7). Additionally, rising house prices have boosted homeowners' equity levels. Although the share of seniors holding private pension plans has registered some decline between 2005 and 2016, the values of plans held by seniors saw a significant increase.

Compared to a decade ago, a greater proportion of Torontonians hold mortgages and other loans after age 65 (Table 6). Low interest rates and higher incomes have made it easier for seniors to service their debts. In 2016, 26.0% of all homeowner households headed by a senior held a mortgage, up from 20.5% a decade ago. Furthermore, the share among younger seniors was higher than that. About a third of homeowners aged 65 to 74 held a mortgage in 2016. The known reasons for having a mortgage at an older age was financing in-place retirement, renovations, investments, as well as helping other family members.

Table 4: Toronto CMA Distribution (%) of Owner and Renter Households with a Senior Maintainer by Main Source of Income

	Owners		Renters		Total	
	2006	2016	2006	2016	2006	2016
Wages and salaries	25.5%	28.7%	12.7%	18.4%	22.1%	26.2%
Self-employment	2.4%	2.5%	1.2%	1.6%	2.1%	2.3%
Government transfer payments	39.7%	34.4%	68.6%	63.6%	47.3%	41.6%
Investment income*	6.5%	6.7%	3.3%	2.2%	5.6%	5.6%
Retirement income**	25.1%	27.0%	13.4%	13.5%	22.0%	23.7%

*Dividends, interest on bonds, deposits and savings certificates, and other investment income

**Retirement pensions, superannuation and annuities, including those from RRSPs and RRIIFs

Source: Statistics Canada (Census of Canada and National Household Survey)

Table 5: Toronto CMA Income Before Taxes of Households With a Senior Maintainer

		All households			Maintainer aged 65+		
		Total	Owners	Renters	Total	Owners	Renters
2006	Average	70,926	101,103	43,514	57,678	71,801	35,635
	Median	55,695	88,294	35,873	39,343	55,957	25,955
2016	Average	109,625	134,242	60,165	89,257	103,325	46,591
	Median	78,477	99,463	46,398	59,238	70,895	30,769

Source: Statistics Canada (Census of Canada and National Household Survey)

Table 6: Toronto CMA Share of Homeowners with Mortgages

	65 - 74	75 - 84	65+	All Ages
2006	26.0%	14.3%	20.5%	61.7%
2016	33.5%	22.6%	26.1%	63.1%

Source: Statistics Canada (Census of Canada and National Household Survey)

Although the share of seniors taking debt into their retirement has risen, the increase was not of the same magnitude as for younger generations and outpaced by the growth in their asset values. Between 2005 and 2016, Torontonians aged 65 and over witnessed the median value of their net worth increase by 73% compared to 17% for aged 65 and under (Table 7). The increase in wealth among seniors have provided more

of them with the means to be flexible relating to housing choices that they can make.

Core Housing Need

The share of senior households in core housing need edged lower between 2006 and 2016 censuses (Table 8) because of the earlier discussed factors related to general improvements in their health and income, which increased the array

of housing options they can make. Nevertheless, more than half of senior renters remain in accommodations that are either not adequate, suitable or affordable for them. This share is significantly higher than for senior homeowners and younger renter households. Some senior renters though, may be using not only incomes but also other financial assets to pay for their rental homes, which is not reflected in the core housing need indicator.

Table 7: Toronto CMA Household Wealth

	Median Value (\$)**				Per Cent of Households that are Holding Assets or Debt			
	Aged 65 and over*		Aged 65 and under*		Aged 65 and over*		Aged 65 and under*	
	2005	2016	2005	2016	2005	2016	2005	2016
Total assets	578,900	902,400	430,900	534,000	100	100	100	100
Registered Retirement Savings Plans (RRSPs), Registered Retirement Income Funds (RRIFs), Locked-in Retirement Accounts (LIRAs) and other	48,000	150,000	31,200	40,000	64.5	62.1	66.4	50.5
Employer-sponsored Registered Pension Plans (EPPs)	149,700	190,300	47,200	113,500	59.7	48.1	44.8	39.5
Deposits in financial institutions	24,000	10,000	5,400	5,000	95.5	91.9	90.2	95.7
Mutual funds, investment funds and income trusts	60,000	100,000	24,000	35,000	22.2	22	12.8	11.1
Stocks	60,000	140,000	12,000	17,000	12.3	9.5	12.3	8.4
Tax Free Saving Accounts (TFSA)	—	40,000	—	9,000	—	39.5	—	41
Other financial assets	—	34,000	6,000	12,000	—	14.4	26.2	23.3
Principal residence	360,000	700,000	378,300	700,000	70.6	67.8	63.8	55.4
Other real estate	144,000	400,000	192,000	300,000	14.8	15.2	14.1	18.8
Vehicles	7,700	10,000	15,200	15,000	63	68.9	74	65.6
Net Worth***	505,700	875,200	238,800	279,300	100	100	100	100

*Age of the primary household maintainer

**Among households that are holding assets or debt

***Assets less debt

Source: Statistics Canada (Survey of Financial Security)

Table 8 : Toronto CMA Share of Households in Core Housing Need

	All households			Maintainer aged 65+		
	Total	Owners	Renters	Total	Owners	Renters
2006	19.0%	10.6%	37.4%	24.2%	14.0%	52.9%
2016	19.1%	11.0%	36.3%	23.4%	13.9%	52.5%

Source: Statistics Canada (Census of Canada and National Household Survey)

Implications

Toronto's population of seniors will grow at a faster pace over the next decade. The conventional view is that this demographic shift will likely help to increase the supply of housing to younger homeowners, since seniors typically downsize or leave homeownership. However, employment, income, wealth trends along with possible changes to community and social support

services available to seniors may further increase the homeownership rate for older residents as they remain in their homes for longer periods of time. Thus, over the next decade, seniors might not be freeing up the expected number of dwellings for younger households thus limiting supply. Furthermore, the share of seniors preferring to rent ground-oriented homes may increase further thus contributing to tighter market conditions in this housing segment.

ENDNOTES

- ¹ Analysis cover the period between 2006 and 2016 census years.
- ² Toronto CMA hereafter is referred to as Toronto.
- ³ People over 65 hereafter are referred to as seniors.
- ⁴ Income before taxes from all sources.
- ⁵ A household is in core housing need if its housing does not meet one or more of the adequacy, suitability or affordability standards and it would have to spend 30% or more of its before-tax income to access acceptable local housing.
- ⁶ All figures published hereafter in this report are Statistics Canada's data.
- ⁷ The Ontario Ministry of Finance population projections (www.fin.gov.on.ca/en/economy/demographics/projections).
- ⁸ First person in the household identified as someone who pays the rent or the mortgage, or the taxes, or the electricity bill, and so on, for the dwelling. In the case of a household where two or more people are listed as household maintainers, the first person listed is chosen as the primary household maintainer.
- ⁹ Adapted from Statistics Canada.
- ¹⁰ "Yellow belt" are the low-rise neighborhoods in the city that have strong restrictions on high-rise development.
- ¹¹ Total assets include both financial assets, such as bank accounts, mutual funds and securities, as well as tangible assets, including real estate, vehicles and durable goods.
- ¹² Total debt includes home-secured borrowing such as mortgages, and other secured borrowing such as vehicle loans, as well as unsecured debts such as credit cards.

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