THE CRISIS OF AFFORDABLE RENTAL HOUSING IN TORONTO

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Intro to Housing Crises

A Housing Crisis occurs when there is an extended and increasing scarcity of affordable housing and the housing supply falls far short of demand. Most major cities are experiencing this problem as strong economic growth has led to massive population growth and sky rocketing housing prices.

There are two competing characterizations of Housing Crises:
1. The Crisis is solely the product of growth and is a supply shortage issue.
2. The Crisis is a product of inequality fueled by growth, and is rooted in housing costs outpacing income growth by increasingly wider margins.

DEFINING AFFORDABLE HOUSING

The term “affordable housing” is often conflated with social housing or subsidized housing.

It is a broad term that includes housing provided by private, government, and non-profit sectors, as well as all forms of housing tenure, i.e. rental, ownership, co-op, temporary, and permanent housing.

The conventional method of measuring is the “shelter-cost-income ratio” where housing is considered affordable if it costs 30% or less of before tax household income.

ADEQUATE HOUSING

As defined by the Canada Mortgage and Housing Corporation

Housing that does not require any major repairs, is suitable in size, and affordable. Any household whose shelter does not meet any of these standards and for whom there is not any acceptable housing available is deemed to be in the “Core Housing Need”.

T O R O N T O
Global Affordable Housing Crisis

**Accelerating World Wide Trends**
- Housing related expenses rising faster than salary and wage increases.
- People forced into overcrowded or badly maintained housing or housing so costly it compromises their food security, healthcare needs and educational prospects.
- Rise in forced evictions, displacement and homelessness.

**Housing Crisis in the Global South**
- Face additional challenges such as informal settlements.
- The U.N. estimates that about 1.6 billion people globally live in inadequate housing.
- Rapidly urbanizing cities can have rent as a share of income average 100 percent, 150 percent or higher.

**Examples of Socioeconomic Impact in Urban Centres**

**Vancouver, Canada**
- Rental Vacancy Rate at 1.5%
- Since 2007, the waitlist for Social housing has increased by 68% while available social housing units remain unchanged.

**London, United Kingdom**
- Average House costs 11x the median household income
- 46.8% of Tenant households spend more than 30% of their pre-tax income on shelter costs.
- Average Wages have increased by 1.1% on average annually from 2011 to 2017.

**Seoul, South Korea**
- Affordable Housing Crisis in Toronto
- Cost of property has risen by 7.7% on average over the last decade.
- Limited security of Tenure for Korean renters.
- Lease terms are only fixed at minimum 2 years, and once expires tenants don’t have a right to renew and landlords can freely increase rent.
- Source: 16th Annual Demographia International Housing Affordability Survey 2020
  *The Ranking of Affordability in World Cities is based on the “median multiple” - a ratio of median housing costs to median incomes.

**Affordable Housing Crisis in Toronto**
- TORONTO IS RANKED THE 6TH MOST EXPENSIVE CITY IN THE WORLD
- As of 2020 it is more expensive to find rental housing in Toronto than in San Francisco, London, and New York.
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COMPETING VIEWS OF HOUSING ECOSYSTEMS & TYPES OF HOUSING

THE HOUSING CONTINUUM

The conventional way of understanding how housing operates is the housing continuum, a linear progression from housing need to homeownership depicting different segments of housing. On one end are people without a permanent residence, and on the other end is homeownership. There are pathways leading from one type of housing to another, and the lack of affordable supply on the right end will have a downstream impact on everything to its left.

THE WHEELHOUSE MODEL

An alternative approach developed by the City of Kelowna in British Columbia, Canada

This more equitable model doesn’t position homeownership as the end goal, and recognizes that residents can move between different types of housing needs for a wide variety of reasons at different stages in their life.

There are 2 types of Private Rental Housing

Primary Market
Purpose-built rentals of 3 units or more. Housing is built for rental use specifically. A corporation runs the building. Housing quality is longer lasting and tenure is more stable.

Secondary Market
Includes: Condominiums, basement apartments, duplexes, etc. Less security in tenure as you can be evicted with 60 days notice. Rent tends to be much higher than purpose-built housing.

e.g. in 2019 the Avg. Rental Apartment was $1465 while Avg. Condo unit was $2307.
Why Focus on Rentals?

Disproportionately Impacts Marginalized Groups
Renters are highly represented by young people, newcomers, racialized communities, single parents, single-person and low income households.
6 out of 10 recent Immigrant households in Toronto are renters

More Vulnerable to Financial Shocks and Unexpected Expenses
Renters are more likely to have lower income and job stability and less savings.

Severely Impacts Youth and Future Generations
58% of Toronto Households aged 15 - 29 & 40% aged 30 - 44 are spending more than 30% of their income on rental costs

Widening Income Gap between Tenants and Homeowners
Example: Increase in Average household income in Ontario from 1991 to 2016
Renter Households increased from $36,872 to $53,559 ($16,687 increase)
Homeowner households increased from $63,782 to $117,409 ($53,627 increase)

47.2 % of Private Households in Toronto are Renters
But their needs and rights tend to receive less consideration and support from policymakers

Sources:
Canadian Urban Institute (CUI) 2019 Report
Advocacy Centre for Tenants Ontario (ACTO) 2019 & 2020 reports
City of Toronto, Housing TO Action Plan 2020-2030
**RENTAL SUPPLY IN TORONTO**

**Growth of Rental Units by Type 2007 - 2018**

- **Primary Rental**: +6,379 Units
- **Secondary (Other)**: -1,890 Units
- **Secondary (Condos)**: +88,812 Units

**Change in Number of Rental Units in Toronto 2006-2016**

- **Rent under $1000**: 36%
  - 2006: 341,020
  - 2016: 219,160
  - Change: -121,860 Units

- **Rent $1000 - $1500**: 51%
  - 2006: 187,600
  - 2016: 283,310
  - Change: +95,710 Units

- **Rent over $1500**: 32.3%
  - 2006: 50,395
  - 2016: 212,960
  - Change: +162,565 Units

Source: Statistics Canada, Census 2006 and 2016

**TREND: LOSS OF AFFORDABLE UNITS AND SHARP INCREASE IN HIGH END UNITS**

This is due to 4 Factors:

1. New Rentals that were and continue to be built are predominately secondary market luxury rentals. (e.g. condos).

2. The policy of Vacancy Decontrol allows landlords to bypass rent controls that limit rent increases (2.2%) and raise rents to any amount for a new tenant, thus incentivizing more frequent evictions and price gouging, driving up rent prices.

3. The Financialization of Housing led to equity firms and Real Estate Investment Trusts (REITs) buying up older purpose-built units and buildings, renovating them, hiking up the rental costs, and evicting existing tenants for those who are willing to pay a lot more.

4. Any New Purpose-Built Rentals are exempt from rent increase limits.
CANADA'S HOUSING POLICY TIMELINE

1960s - 1970s
The construction of 2/3rds of existing Purpose-Built Rentals (PBR)

1990s
All Federal Funding for Social Housing Ended

1997
Tenant Protection Act (TPA) is Passed. Introduces "Vacancy Decontrol" and other deregulations of rent controls

2017
National Housing Strategy Act is passed

93% of Purpose-Built Rentals were built prior to 1980.

Social Housing Responsibilities were downloaded from the Federal level to the Provincial and then to the Municipal, ending the continued Construction of Affordable Housing.

Vacancy Decontrol & Eviction Trends

- The 1997 Tenant Protection Act (TPA) was repealed in 2006, but the Vacancy Decontrol clause was immediately re-implemented in its successor, "The Residential Tenancies Act", which is still in effect.

- Landlords can set as high a price as they want as long as someone is willing to pay for it. This can inflate other people's rent as well.

- Landlords thus have no incentive to retain current tenants if the housing market rises and the vacancy rate is low.

- There has been a rise of no-fault evictions where the tenant has done nothing wrong (i.e. Own Use or "Reno-victions").

- Landlords' Own Use claims have nearly doubled since 2015.

- "Reno-victions" is the removal of long-term tenants for superficial renovations in order to drastically increase the price of a rental unit (i.e. Price Gouging).
CONFLICTING CULTURAL VALUES & BELIEFS ABOUT HOUSING

**HOUSING AS A SOCIAL GOOD**

- The belief or concept of housing as the basis of a long-term home and as social infrastructure.

- Having stable, affordable, and safe housing is essential to family well-being, mental health, food security, and the ability to participate in our communities.

- Thus, the lack of access to affordable housing has wider societal impacts, such as income inequality, class stratification, and the formation of communities.

**HOUSING AS A HUMAN RIGHT**

- The idea that housing is a human right and a fundamental need is codified in international law as the right to adequate housing.

- "The right of every woman, man, youth, and child to gain and sustain a safe and secure home and community in which to live in peace and dignity."
  ~Article 25(1) of the UN Universal Declaration of Human Rights

**HOUSING AS A COMMODITY**

- When housing is purchased not solely based on its suitability as a home, but also for its potential as a financial asset.

- News of trends in housing prices, mortgage interest rates, and foreclosures are treated as a measure of national economic health.
The popular belief that individual property ownership is the mark of a person’s character and worth. Renting is expected to be a temporary state and homeownership is the ultimate goal.

This is reflected in tax policies that reduce homeownership costs and not rent, tenant-landlord laws that are designed or altered to give landlords more power to evict tenants, and zoning laws that end up segregating economic groups or exclude rental properties entirely.

Not-in-my-backyard (NIMBY) syndrome.

Often characterized by fears that the presence of affordable rental housing would increase crime, poverty, and service costs, as well as decrease property values.

Attitudes that unfairly assume that renters are less civic-minded, and care less about their community than homeowners.

Belief that It Is Too Expensive

The Costs of Homelessness

<table>
<thead>
<tr>
<th>Monthly Cost of a single shelter bed and services in Toronto</th>
<th>$2250</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Cost of subsidizing each unit of Toronto’s social housing</td>
<td>$306</td>
</tr>
</tbody>
</table>

Sources: City of Toronto 2017 Budget Analyst notes for Shelter, Support and Housing Administration, Canada Mortgage and Housing Corporation Housing Connections
Almost overnight, multinational private equity and asset management firms like Blackstone have become the biggest landlords in the world, purchasing thousands and thousands of units in North America, Europe, Asia, and Latin America. They have changed the global housing landscape. Pouring unprecedented amounts of capital into housing, they have converted homes into financial instruments and investments. The treatment of housing as a financial asset is often done so at the expense of people who need it as shelter.

It is the realization of “Housing as a Commodity” thinking
Can be observed in the increasing encroachment of financial practices and strategies into previously non-financial sectors such as housing.

Example of Financialization Practices: The Real Estate Investment Trusts (REITs)
REITs buy low-income and affordable homes on behalf of a wide array of investors and then upgrade them, substantially raise the rents, and displace residents that cannot afford it. Their goal is to maximize investor yield that comes from the income generated from monthly rent.

“Almost overnight, multinational private equity and asset management firms like Blackstone have become the biggest landlords in the world, purchasing thousands and thousands of units in North America, Europe, Asia, and Latin America. They have changed the global housing landscape. Pouring unprecedented amounts of capital into housing, they have converted homes into financial instruments and investments.”

Leilani Farha, the UN Special Rapporteur on the right to adequate housing speaking on one of the biggest residential real estate investor firms in the world.

There is internal tension between housing’s “Use Value” as a home and shelter and its “Exchange Value” as a commodity
The treatment of housing as a financial asset is often done so at the expense of people who need it as shelter.

Policies, such as divestment from social housing, removal of rental protections, and vacancy decontrol have opened the housing market up to exploitation by financial firms.

In Toronto, REITs have purchased aging purpose-built housing and essentially removed it from the affordable housing stock, while forcing former tenants to look for more housing, thus increasing the rental demand.
**SYSTEM MAPS**

**VICIOUS CYCLE OF HOUSING AFFORDABILITY LOSS**

This loop illustrates how the increase of Housing Prices and Rental Costs is reinforced by being part of a larger positive feedback loop. It also shows why the current responses to high rental costs and vacancy rates fall short and even play a role in perpetuating the loss of housing affordability. Annotations are provided where additional explanation is required.

The arrows that connect the shapes have positive and negative signs on both their origin and destination ends. If a relationship were to be represented as the following: Shape A → Shape B, then a positive sign near the origin would indicate that an increase of Shape A would affect Shape B based on the sign at the destination. This would apply for negative signs as well.

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**Legend**

- **Rental**
- **Finance**
- **Real Estate**
- **Government/Social Services**
- **Other**

*The darker coloured shapes are the most impactful in the loop.

**The thickness of the arrows is based on the number of inputs from other arrows.
This loop demonstrates how “Housing as an Investment or Commodity” centered thinking reinforces the growth of unaffordable housing and the loss of affordable housing. It also shows how financialization of housing, gentrification and the types and expense of housing that results feed into each other are based in this ideology. Annotations are provided where additional explanation is required.

This section demonstrates how financialization primarily adds to the Unaffordable Rental Housing Supply while also actively removing units from the Affordable Rental Housing Supply.

This section shows how financial firms are still able to benefit when the housing market crashes due to extensive speculation. There is little incentive to moderate the risk and negative impacts of their financial strategies.

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Income Inequality and Stagnating Incomes.

See the key factors of the housing crisis as:

- Accelerate opening up land for development and shorten approval processes for permits.
- Create more incentives for developers to build more purpose built housing.
- Reduce borrowing costs to buyers and assist developer financing.
- Enable landlords to more easily evict tenants so there is more rental vacancy.

### Stakeholders that Treat Housing as a Commodity

**Perspective:**
- The housing crisis is primarily seen as a housing shortage.
- They believe that prices are rising because of lack of supply due to rent control and other regulations that constrain the market and limit construction.
- The concept of affordability is based on the ability to get loans and become a homeowner.

**Types of Solutions Advocated:**
- Stabilize rental housing market by protecting and growing purpose-built housing supply and regulate secondary rental market.
- Build non-profit housing on public land instead of selling it to developers.
- Prevent unlawful evictions, fund eviction prevention services, and ensure strong tenant relocation strategies.

### Stakeholders that Utilize a Human Rights Centered Approach to Housing

**Perspective:**
- See the key factors of the housing crisis as:
  - Income Inequality and Stagnating Incomes.
  - Neglect of Social and Subsidized Housing Programs.
  - Government Housing Policies being accountable to financial institutions, global credit markets and private investors instead of residents.
  - Mass evictions and displacement due to the financialization of housing and price gouging.
  - Their definition of affordability is based on the financial burden housing costs have relative to household income.

**Types of Solutions Advocated:**
- Build non-profit housing on public land instead of selling it to developers.
The stakeholder map visualizes the intricate set of interactions between relevant stakeholders with respect to affordable housing supply. These interactions can be categorized into four different sectors: public, financial, real estate, and community.
**The Vienna Housing Model**

In Vienna, Social Housing is not just for low income households

Upper combined income limit is €67,820 or $103,626 CAD and pay progression doesn’t prevent them from staying in public housing.

**Destigmatization of Rental and Social Housing**

Studies have found improved outcomes in crime reduction, health improvements, increased social mobility, and the prevention of ghettoization.

**The Decommodification of Housing**

On average the rent on a one-bedroom is 21% of a resident’s income.

Housing is paid for with a 1% levy on the salaries of every Viennese resident, half of which is deducted from wages and the other half matched by employer contributions.

Buildings owned by the city or subsidized social housing building companies aren’t allowed to be sold, preventing privatization.

More than 60% of residents live in social homes

The housing policies are centered around the belief that housing is a human right.

This model has shown greater stability against financialization of housing trends of the last few decades.

This Model shows that it is possible to mass produce subsidized housing, as well as create and strengthen communities through development.
Solution Landscape By Levels of Government

**Canadian Federal Government**
- Provide $55 billion over 10 years in funding programs
- Provide low-cost loans and/or forgivable loans for socially inclusive and affordable housing
- Support provinces by providing unconditional transfers to less prosperous provinces
- Provide new rental assistance support to federally administered community housing providers

**Ontario Provincial Government**
- Address gaps in building and development regulations to enable additional construction
- Modify legislation to protect tenants and build more rental units
- Enable the use of public land for affordable housing projects
- Repair existing affordable housing units and provide innovation for new units

**Toronto Municipal Government**
- Accelerate affordable housing construction by providing City financial contributions
- Fast-track planning approvals, and activating surplus public land
- Work with non-profits to activate 11 City owned sites for the development of affordable housing
- Inclusionary Zoning Policy requiring new residential developments to include affordable housing units
A housing co-operative is a member-based entity that owns real estate and provides affordable housing by enabling individuals to pool resources to combat high property costs.

Co-op housing provides resilient and diverse housing options. There is no pressure from landlords or complicated contracts.

In London, housing co-operatives offer a partial solution to the housing crisis, but the existing culture of homeownership undermines their success.
Community Land Trusts

Community Land Trusts are non-profit corporations that purchase land to use for housing and community purposes. Each trust is operated by an elected board of directors.

This model allows for affordability and community control of land. Each trust can develop with flexibility to local needs.

Housing is treated as a human right in this model. It provides a viable substitute to land ownership by the Real Estate market that treats housing as a commodity.

Toronto’s Parkdale Neighbourhood Land Trust provides affordable housing to many low-income individuals, including immigrants, refugees, and persons with disabilities.
The Majority of Mainstream Solutions do not address the Root Causes of Housing Unaffordability

Those solutions focus on increasing supply of housing by incentivizing and speeding up housing construction. They do not address the influence of financialization on the housing crisis nor the impact of the growth income inequality and low and middle income stagnation.

"THEY'RE SAYING, 'LEAVE IT TO THE MARKET.' AND THIS IS TIED IN WITH THE HYPERCOMMODIFICATION OF HOUSING. THERE IS BIG MONEY IN REAL ESTATE... SO I SEE THIS AS PURE POLITICAL CALCULATION, THAT THEY ARE NOT SERIOUS ABOUT HOUSING. THEY'VE TAKEN BABY STEPS."

-Professor David Hulchanski

Insufficient Enforcement of Regulations & Bylaws

This is built into the system by design, as the authority, power and frequency of inspection and enforcement agencies are undermined by the chronic lack of resources, capacity and investment.

For example, a common issue identified in the market is the emergence of Airbnb landlords who own multiple properties to profit from short-term rentals, essentially running an unregulated hotel. Such a practice is illegal in Toronto, but it is not enforced, and it removes a substantial supply of rental units available for residents. This is in relation to Chapter 547 of the Toronto Municipal Code (Licensing and Registration of Short-term Rentals).

Address the Demand & Affordability Side of Challenge

Programs should focus on regulating the financial market, consider workforce housing, and adjusting the income-rent gap.

"Stricter financial regulation" aimed at the real estate sector to lower the number of individuals who use real estate as an investment.

Work with local employers to tackle the issue of stagnating incomes in respect to rising rent prices in Toronto.

Build more explicitly "Affordable" housing rather than assume increasing supply in the market will yield affordability.

e.g. Vienna model, which funds production of their own housing through a 1% levy, addressing both supply/demand.

GAPS

Insufficient Enforcement of Regulations & Bylaws

Address the Demand & Affordability Side of Challenge

LEVERS

Insufficient Enforcement of Regulations & Bylaws

Address the Demand & Affordability Side of Challenge

improve Enforcement of Regulations

Include a wider range of penalties aimed at repeat or serious offenders.

Increase the amount and frequency of inspections, ensuring that available rental units meet health and safety standards.

Increase the amount of inspectors and investigators with the powers to enforce existing regulations and standards surrounding landlords.

Hold governance accountable to enforcing these regulations and bylaws through grassroots organizing and campaign in order to generate the necessary political will needed for change.

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Source: insideairbnb.com

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Source: insideairbnb.com
## Current Housing Strategies do not provide sufficient stable, long-term funding necessary for Housing Providers to run effectively & scale up operations

The majority of government Housing Strategies are based on providing large injections of funding over a short period of time. These solutions do not address the structural causes of why housing programs were underfunded to begin with such as the overall instability of funding and other internal organizational issues. For example, Toronto Community Housing Corporation (TCHC) has had to contend with a number of recent scandals and misconduct by leadership.

## Social Attitudes towards Affordable Housing & Stigmas against Renters Are Not Being Addressed

There is a lack of recognition by policymakers that the housing goals centred on valuing housing as a human right are incompatible with market-based strategies that rely on housing as a commodity. Cultural values favouring homeownership drive inequality and social segregation. The divide between Renters and Homeowners needs to be mended.

## Addressing Structural Funding Problems for Municipalities & Non-Profits

- Address the overburdening of Social Housing responsibilities on municipalities.
- Change funding structure & social housing provision expectations to accurately reflect the population and City tax base size.
- De-incentivize the need for competition and improve the process of issuing long term funding to non-profit organizations.
- Address dysfunctionality and the organizational problems in social housing programs, such as TCHC.

## Educate, Engage with Residents, & Grow Mixed Income Communities

- Develop and fund education programs and advocacy campaigns that address the stigma against renters and affordable housing.
- Empower community participation and collaboration between renters and homeowners.
- Create more opportunities to grow mixed income communities to lessen class stratification and social segregation.
Substantial Confusion & Miscommunication in Housing Discourse

There are many differing ideas on what the key problems are and how to address them, as well as different definitions and uses of particular terms, i.e. “Affordable Housing”, “Housing Crisis”, “Affordability”

For example:

The City of Toronto defines “Affordability” in relation to “Average Market Rent (AMR)” rather than household income. This means that new “Affordable Housing” that is currently being built could very likely not qualify as affordable under the conventional definition. AMR also does not account for the fact that new tenants pay higher rents than previous ones, nor does the data used take second market rentals into account (e.g. condos, basement apartments).

Clearly Define or Clarify Language & Concepts at the start of Discourse

Distinguish between the use of “Housing Crisis” as being a Housing Shortage vs Housing Inequality. What is the real problem?

Use of misleading language needs to be identified. Recognize that common informal uses of these terms often conflate different things or are based on common misconceptions. Take the time to clarify and ensure consistency.

Develop clear and concise messaging in advocacy campaigns and grassroots organizations.
APPENDIX A

SOCIAL IMPACTS OF RENTAL COSTS & HIGH DEMAND FOR AFFORDABLE HOUSING LOOP

The purpose of this loop is to highlight how high rental costs and high demand for affordable rental housing impact other social issues. It was decided that the most relevant and connected social issues would be focused on as this loop can quickly become quite expansive in terms of connections if all related social issues are included.
The purpose of this loop is to explain how external factors and mainly foreign investors impact the issue of housing affordability. By buying real estate in Toronto, foreign investors are guaranteed a stable investment with high returns, which attracts more investors and increases the price of housing as a result of increasing demand and decreasing supply.