

# Dimensions of core housing need in Canada



Completed by Will Dunning Inc. for  
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# Background

The housing agency of Canada's federal government (Canada Mortgage and Housing Corporation, or "CMHC") provides estimates of the extent of housing problems in Canada. Using the concept of "core housing need" CMHC estimates that as of 2001<sup>1</sup>, just under 1.5 million (1,485,335) Canadian households were in core housing need. This amounts to 13.7% of Canadian households.

CMHC has published a series of research highlights<sup>2</sup> that provide further details on core housing need in Canada. Those highlight reports profile the extent of core housing need by province, housing tenure, and other characteristics. Additional detail is provided for Aboriginal and immigrant households as well as for seniors.

This report has been produced by Will Dunning Inc. at the request of the Co-operative Housing Federation of Canada. It provides further dimensioning of the core housing need problem in Canada.

This report utilizes custom tabulations of core need data that were obtained from CMHC. For various subsets of Canadian households, the tabulations provide more detail on the numbers of households in core need as well as the dollar extent of the core need problem (this is the total gap between the amounts that the core need households can afford to pay for housing versus the amounts that they would need to pay for acceptable housing).

## What is Core Housing Need?

CMHC describes Core Housing Need as follows.

The term "acceptable housing" refers to housing that is in adequate condition, of suitable size, and affordable.

- **Adequate** dwellings are those reported by their residents as not requiring any major repairs.
- **Suitable** dwellings have enough bedrooms for the size and make-up of resident households, according to National Occupancy Standard (NOS) requirements.
- **Affordable** dwellings cost less than 30% of before-tax household income.

A household is said to be in core housing need if its housing falls below at least one of the adequacy, suitability, or affordability standards and it would have to spend 30% or more of its before-tax income to pay the median rent of alternative local housing that is acceptable (meets all three standards).

Housing conditions cannot be assessed for some households. For example, some households report shelter costs that exceed their income, or incomes of zero or less. In addition, shelter costs are not collected by the census for households on reserves whose housing costs are paid through band housing arrangements, or for farm households, since carrying costs for farm residences are not always separable from expenses related to other farm structures. Since housing affordability cannot be assessed for these households, they were excluded from the estimates of core housing need.

**A household is said to be in core housing need if its housing falls below at least one of the adequacy, suitability, or affordability standards and it would have to spend 30% or more of its before-tax income to pay the median rent of alternative local housing that is acceptable (meets all three standards).**

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<sup>1</sup> The 2001 Census provides the most recent estimates of core housing need. While the 2006 Census has been completed, the data required for the core housing need estimates will not be released until May 2008, and then some time will be required to generate and validate estimates for 2006. The section on Recent Trends and Looking Ahead provides a brief discussion of likely trends for 2001-2006.

<sup>2</sup> The Research Highlights (issue numbers 2 to 4 and 6 to 9) are available at <http://www.cmhc-schl.gc.ca/en/inpr/rehi/>, under the Socio-Economic Series, for 2004 and 2005.



# Summary

As of 2001, 1.485 million Canadian households were in core housing need, representing 13.7% of Canadian households. The total affordability gap for these households – the difference between what they can afford to pay for housing versus the cost of acceptable housing in their communities - was \$6.99 billion per year. The affordability gap was about \$4,700 per year per core need household (in 2001 dollars).

The incidence of core housing need varies across the different dimensions of the population:

- Housing need is much more common for renters (28.3% were in core housing need) than for homeowners (6.6%). Renters accounted for 68.1% of all core housing need.
- Across the provinces and territories, core housing need is most prevalent in the three territories. Among the provinces, the incidence of need is greatest in British Columbia, Nova Scotia, and Ontario.
- By age group, core need is least prevalent in the middle of the age distribution. The incidence of need is higher for young adults and the elderly. However, the average affordability gaps are smaller for older age groups than they are for younger ages.
- Lone parent families experience a very high incidence of core need (at almost 30%, or more than double the rate for all households). The rate of core need is extremely high for lone parent families headed by young adults.
- Non-family households also have a high incidence (23.5%). Among non-family households, the incidences of core need are highest for older age groups.
- Immigrants are more likely to be in core housing need (at 18.3%) than are non-immigrants (12.4%). Among immigrants, the incidence of core need is highest for households who have arrived most recently.
- Households whose “primary household maintainer” is employed have a core need incidence of 8.8%, much lower than the rates of 28.2% for households with an unemployed maintainer and 22.6% for households whose maintainer is not in the labour force. Younger adults (under the age of 45) who are not in the labour force have a very high rate of core need (exceeding 40%).
- Similarly, households whose major source of income is employment or “other income” have incidences of core need below 10%, while those whose major source of income is government transfers have an incidence of almost 40%. For households with a maintainer under 55 years and the major source of income from government transfers, the incidence of core need exceeds 60%.
- Aboriginal households are substantially more likely to be in core need (at 24.0%) versus non-Aboriginals (13.5%). Rates for Aboriginals exceed those for non-Aboriginals in every province and territory of Canada.

The points above relate to percentages of households. Looking at the total population, 11.5% of Canadians are in households that are in core need. The rates are highest for children and the elderly.

The most recent available data on the incidence and dollar magnitude of core housing need are from 2001. The data shows that the incidence rose during 1991 to 1996 but then fell during 1996 to 2001. In 2001 the incidence was virtually the same as in 1991.

**As of 2001, 1.485 million Canadian households were in core housing need, representing 13.7% of Canadian households. The total affordability gap for these households – the difference between what they can afford to pay for housing versus the cost of acceptable housing in their communities - was \$6.99 billion per year. The affordability gap was about \$4,700 per year per core need household (in 2001 dollars).**

**Looking at the total population, 11.5% of Canadians are in households that are in core need. The rates are highest for children and the elderly.**

**Estimates of core housing need are developed through a two-step procedure.**

**The first step determines whether households' housing is acceptable (satisfies all three criteria of adequacy, suitability, and affordability).**

**The second step looks further at the households for which one or more housing standards are not met. This step considers whether the household has sufficient income so that it could afford to pay for acceptable housing in its community.**

Based on current economic trends, it is possible that the incidence of core housing need has fallen further during 2001 to 2006. On the other hand, the total number of households increased by about 7.5% during that period. When the increased number of households is combined with the reduced incidence of need, it is possible that the total number of households in core need, and the total affordability gap (in dollars) may not have changed very much during 2001 to 2006.

### Measuring Core Housing Need

Estimates of core housing need are developed through a two-step procedure.

The first step determines whether households' housing is acceptable (satisfies all three criteria of adequacy, suitability, and affordability). As shown in the table below, all three housing standards were met for about 7.6 million (69.9%) out of about 10.8 million households; for about 3.2 million households (30.1%) one or more standards were not met.

The second step looks further at the households for which one or more housing standards are not met. This step considers whether the household has sufficient income so that it could afford to pay for acceptable housing in its community. Any household whose income meets or surpasses the "core need income threshold" is therefore deemed to be not in core need. After considering incomes (and the ability to pay for housing), about 1.5 million Canadian households were in core housing need in 2001.

**Table 1  
2-Step Process for Assessing Core Housing Need in 2001**

	Number of Households	% of Total Households
Total Households	10,805,615	
Above all 3 housing standards	7,556,660	69.9%
Below one or more standards	3,248,955	30.1%
Income above threshold (not in core need)	1,763,615	16.3%
Income below threshold (in core need)	1,485,335	13.7%

Source: Will Dunning Inc., using data from CMHC custom tabulation

Looking forward, two factors that will affect the evolution of core housing need have been considered.

- Canada's high level of immigration is a potentially important factor. There are two countervailing aspects: firstly, high annual inflows will add high proportions of households who are in core need; secondly, as immigrants become increasingly settled in the years after their arrivals, their rates of core need will tend to fall. A simple simulation suggests that these two aspects will be roughly offsetting, and that immigration might have a neutral impact on the future incidence of core housing need.

- Demographic trends imply that over time the population will be more concentrated in the older age groups that have above-average incidences of core need, and less concentrated in the middle of the age range (for which incidences are low). By 2031, 42% of core need would be for households aged 65 or older, versus a share of 26.5% in 2001. The implication is that the overall incidence of core need will rise gradually during the coming decade, from 13.7% in 2001 to 14.3% in 2031. However, the average (per household) affordability gap will fall (since older adults have below-average affordability gaps).

A simulation that is based entirely on changes in the age structure of the population, and does not incorporate any changes in housing costs or incomes, suggests that the total affordability gap in Canada might rise by about 37.5% (to \$9.6 billion in 2001 dollars) during 2001 to 2031. This would be less than the growth rate for the total number of households (42.3%). The average affordability gap, expressed as dollars per total household, was \$647 in 2001; by 2031 it would fall to \$625 (in 2001 dollars).

The implication of these findings is that, while the total housing need problem in Canada is quite large, Canada as a society can afford to address these problems. The \$6.99 billion core need problem should be viewed relative to a \$1.5 trillion national economy. The changes projected above (the falling per capita cost) suggest that Canada will become even more able to afford to address these housing problems. In addition, real growth (in excess of inflation) of incomes will further increase the ability of our society to fund the necessary housing programs.

A fundamental program design question is whether programs should increase the supply of housing, or whether they should be solely concerned with providing the financial means for needy households to solve their problems in the market. This study does not intend to or pretend to address that question. However, it does observe that if financial transfers expand the ability of households to pay for housing that would increase total demand in the housing market. This can be expected to result in higher housing costs (which would raise program costs as well as causing further rises in affordability problems). Therefore, the design of any comprehensive housing assistance program ought to include the expansion of housing supply.

**The total affordability gap in Canada might rise by about 37.5% (to \$9.6 billion in 2001 dollars) during 2001 to 2031.**

**While the total housing need problem in Canada is quite large, Canada as a society can afford to address these problems.**

**A fundamental program design question is whether programs should increase the supply of housing, or whether they should be solely concerned with providing the financial means for needy households to solve their problems in the market.**



# The dimensions of core housing need

In 2001, just under 1.5 million households in Canada, out of about 10.8 million households, were in core housing need<sup>3</sup>. The tabulations obtained from CMHC provide an estimate of the gap between the total amount that the households can afford to pay for housing versus the total amount that they would have to pay for acceptable housing. For households in core need, that gap totals \$6.99 billion per year as of 2001<sup>4</sup>.

This section provides more detail on core housing need, in varying dimensions of type of housing problem, housing tenure, geography, age group, type of household, immigration status, employment status, source of income, and for Aboriginal versus non-Aboriginal households.

## Types of Housing Problems

**Table 2** looks at the distribution of types of housing problems for core need households. By far, the most common problem is housing affordability. As is shown in Table 2, for 72% of core need households there is one housing problem – affordability (paying 30% or more of their income for shelter). An additional 17.2% of core need households have an affordability problem plus a suitability and/or adequacy problem. In combination, therefore, 89.2% of core need households have an affordability problem. On the other hand, suitability and adequacy problems are less common: 14.8% of core need households have a suitability problem (alone or in combination with other problems) and 15.3% have adequacy problems.

**Table 2**  
**Core Housing Need in Canada by Type of Housing Problem and Housing Tenure - 2001**

Tenure	Owned	Rented	Total
Below one standard			
Affordability	22.7%	49.3%	72.0%
Suitability	1.0%	3.9%	5.0%
Adequacy	3.3%	1.7%	5.0%
Below multiple standards			
Affordability and suitability	1.4%	6.4%	7.8%
Affordability and adequacy	3.0%	5.2%	8.2%
Suitability and adequacy	0.2%	0.6%	0.8%
Affordability, suitability, and adequacy	0.2%	1.0%	1.3%
Total Core Need Households	31.9%	68.1%	100.0%

Source: Will Dunning Inc., using data from CMHC custom tabulation

**In 2001, just under 1.5 million households in Canada, out of about 10.8 million households, were in core housing need. By far, the most common problem is housing affordability.**

<sup>3</sup> The number of households used in the analysis is less than the total number of households in Canada (11,562,980). Some households are excluded from the analysis, because they reported no income or negative income, housing costs exceeded income, or housing costs were zero or not reported.

<sup>4</sup> This is based on an assumption that households can afford to pay 30% of their income for housing. The cost of obtaining acceptable housing is assumed to be equal to the median rent for acceptable housing, for the required type of unit, within the household's community.

Renters are much more likely to be in core housing need than are homeowners: the number of renter households in core need (just over 1 million) is more than double the number of homeowners in core need (less than 500,000).

The largest affordability gaps for core need households are for households that have suitability problems.

### By Housing Tenure

As can be seen in **Table 3**, renters are much more likely to be in core housing need than are homeowners: the number of renter households in core need (just over 1 million) is more than double the number of homeowners in core need (less than 500,000). In terms of "incidence" (the percentage of households in core need, by group), renters are 4 times more likely to be in core need than are owners, at 28.3% versus 6.6%.

Correspondingly, renters account for 65% of the total affordability gap (at \$4.54 billion out of the \$6.99 billion total) and owners account for 35% of the gap.

On the other hand, for renters the average affordability gap per household (about \$4,500 per year) is 13% lower than it is for owners (about \$5,150).

**Table 3**  
**Core Housing Need in Canada, By Housing Tenure - 2001**

Tenure	Owned	Rented	Total
Households	7,229,665	3,575,950	10,805,615
Number in Core Housing Need	473,845	1,011,490	1,485,335
% in Core Housing Need	6.6%	28.3%	13.7%
Total Affordability Gap (\$ Billions)	-\$2.45	-\$4.54	-\$6.99
Average Affordability Gap Per Core Need Household (Per Year)	-\$5,165	-\$4,492	-\$4,706

Source: Will Dunning Inc., using data from CMHC custom tabulation

**Table 4** summarizes the affordability gaps for core need households. As can be seen, core need households for whom there is just one problem (of affordability) have an affordability gap that is below average (but is still substantial at \$4,168 per household per year). The largest affordability gaps are for households that have suitability problems (alone or in combination with other problems – the average affordability gap is \$7,277 per year for these households). For households that have adequacy problems (alone or in combination with other problems) the average affordability gap is \$5,114 per year.

**Table 4**  
**Average Affordability Gaps by Type of Housing Problem and Housing Tenure - 2001**

Tenure	Owned	Rented	Total
Below one standard			
Affordability	-\$4,989	-\$3,789	-\$4,168
Suitability	-\$7,813	-\$7,566	-\$7,618
Adequacy	-\$4,716	-\$5,573	-\$5,006
Below multiple standards	-\$5,738	-\$6,061	-\$5,975
Affordability and suitability	-\$7,403	-\$6,968	-\$7,045
Affordability and adequacy	-\$4,749	-\$4,536	-\$4,614
Suitability and adequacy	-\$7,525	-\$8,047	-\$7,909
Affordability, suitability, and adequacy	-\$6,828	-\$6,973	-\$6,943
Total Core Need Households	-\$5,165	-\$4,492	-\$4,706

Source: Will Dunning Inc., using data from CMHC custom tabulation

## By Geography

**Table 5** looks at the provinces and territories of Canada. While 13.7% of Canadian households were in core housing need in 2001, rates vary across the country. The highest rate was found in Nunavut (almost 40%, and close to triple the national average). The lowest rate was in Alberta (10.5%).

Out of the total affordability gap of \$6.99 billion, almost one-half (\$3.29 billion) was in Ontario, almost 18% in British Columbia, and close to 16% in Quebec.

Average affordability gaps (per household) were below the national figure in 7 of the 10 provinces, and above average in Newfoundland and Labrador, Ontario, and British Columbia, as well as the three territories.

**Table 5**  
**Core Housing Need Indicators by Province and Territory - 2001**

Provinces and Territories	% in Core Need	Affordability Gap \$ Billions	Affordability Gap Per Core Need Household
Newfoundland and Labrador	14.6%	-\$0.13	-\$5,046
Prince Edward Island	12.9%	-\$0.02	-\$3,809
Nova Scotia	15.2%	-\$0.21	-\$4,039
New Brunswick	11.2%	-\$0.10	-\$3,238
Quebec	12.5%	-\$1.10	-\$3,123
Ontario	15.1%	-\$3.29	-\$5,488
Manitoba	11.6%	-\$0.18	-\$4,024
Saskatchewan	11.5%	-\$0.15	-\$4,165
Alberta	10.5%	-\$0.46	-\$4,309
British Columbia	15.8%	-\$1.24	-\$5,552
Yukon	15.8%	-\$0.01	-\$6,514
North West Territories	17.4%	-\$0.02	-\$10,678
Nunavut	38.8%	-\$0.07	-\$24,061
Canada	13.7%	-\$6.99	-\$4,706

Source: Will Dunning Inc., using data from CMHC custom tabulation

## By Age Group

Data on core housing need by age group (**Table 6**) shows that the highest incidence rate is for the youngest age group (15 to 24 years) for which the incidence is 25.4%, almost double the rate for all age groups. The incidence is also well above average for the oldest age group (75 years and over, with a rate of almost 20%). However, because there are relatively few households in the 15 to 24 age group, its contribution to the total affordability gap is relatively small (less than \$500 million per year, or 7% of the total). Average affordability gaps (per core need household) are largest for households in the family formation age ranges and lowest for the oldest age groups. This is because older households have fewer members and therefore their required housing is smaller and less expensive than for younger groups.

**While 13.7% of Canadian households were in core housing need in 2001, rates vary across the country. The highest rate was found in Nunavut (almost 40%, and close to triple the national average). The lowest rate was in Alberta (10.5%).**

**The highest incidence rate is for the youngest age group (15 to 24 years) for which the incidence is 25.4%, almost double the rate for all age groups. The incidence is also well above average for the oldest age group (75 years and over, with a rate of almost 20%).**

The incidence of core housing need is much higher for non-family households<sup>5</sup> (at 23.5%) than it is for family households (9.8%). Lone parent families have a very high incidence of core housing need. This group accounts for 28.9% of the total affordability gap.

**Table 6**  
**Core Housing Need Indicators by Age Group - 2001**

Age of Primary Household Maintainer	% in Core Need	Households in Core Need	Affordability Gap \$ Billions	Affordability Gap Per Core Need Household
15-24	25.4%	95,475	-\$0.47	-\$4,973
25-34	14.4%	239,125	-\$1.33	-\$5,551
35-44	12.7%	326,830	-\$1.89	-\$5,790
45-54	10.5%	245,650	-\$1.29	-\$5,253
55-64	12.1%	185,055	-\$0.82	-\$4,436
65-74	14.5%	185,350	-\$0.63	-\$3,394
75 +	19.7%	207,855	-\$0.56	-\$2,673
All Ages	13.7%	1,485,335	-\$6.99	-\$4,706

Source: Will Dunning Inc., using data from CMHC custom tabulation

*By Type of Household*

As is shown in **Table 7**, the incidence of core housing need is much higher for non-family households<sup>5</sup> (at 23.5%) than it is for family households (9.8%). On the other hand, the average affordability gap for non-family households is far below the figures for the various categories of families. Consequently, non-family households account for 27.3% of the total affordability gap, which is slightly lower than its 28.7% share of total households.

Lone parent families have a very high incidence of core housing need. This group accounts for 28.9% of the total affordability gap, but it represents only 10.1% of households.

**Table 7**  
**Core Housing Need Indicators by Type of Household - 2001**

Household Type	% in Core Need	Households in Core Need	Affordability Gap \$ Billions	Affordability Gap Per Core Need Household
Family Households	9.8%	754,535	-\$5.08	-\$6,735
Couples without children	5.6%	155,910	-\$1.05	-\$6,735
Couples with children	7.2%	264,200	-\$1.88	-\$7,098
Lone-parent	29.2%	317,545	-\$2.02	-\$6,372
Multiple-family	8.8%	16,875	-\$0.13	-\$7,875
Non-Family Households	23.5%	730,800	-\$1.91	-\$2,612
All Households	13.7%	1,485,335	-\$6.99	-\$4,706

Source: Will Dunning Inc., using data from CMHC custom tabulation

<sup>5</sup> Non-family households are defined as follows: consist either of one person living alone or of two or more persons who share a dwelling, but do not constitute a family.

For the two household types with the highest incidences of core housing need (lone parent families and non-family households), there are interesting variations among the different age groups, which are illustrated in **Table 8**.

Considering lone parent families:

- The incidence is extremely high for the youngest age group (at 68.3% for those whose maintainer is aged 15 to 24). However, there are few households in this group – just 0.4% of all households. Consequently, this sub-group accounts for 2.2% of the total affordability gap.
- Incidence rates fall for the older age groups of lone parent families. Because there are large numbers of lone parent families in the 25 to 54 age groups, combined with their high incidence rates, those three sub-groups account for quite large percentages of the total affordability gap.

For non-family households:

- The incidence rate is high for the youngest age group, but for the next age group the incidence rate of 15.4% is not much above the average rate for all Canadian households. However, the rates rise for each of the subsequent age groups, and in the late working age groups and retirement ages (55 years and over) the incidences of core housing need are very high.
- Not surprisingly, the average affordability gap for non-family households is lower than for family households. Moreover, the gaps are lowest for the oldest non-family households (about \$2,000 for households whose maintainer is aged 65 or older). Therefore, while there is a high incidence rate for non-family households, and especially for those headed by an older person, these sub-groups have shares of the total affordability gap that are in line with their shares of all households.

For the other categories of households (couple families with or without children and multiple family households) there are fewer variations across the age groups – although the youngest age group generally has incidences considerably above the rates for older households. As has been seen before, the youngest age group accounts for a small minority of households, and therefore these high incidences result in small contributions to the total affordability gap.

**Considering lone parent families, the incidence is extremely high for the youngest age group (at 68.3% for those whose maintainer is aged 15 to 24).**

**For non-family households, the late working age groups and retirement ages (55 years and over) the incidences of core housing need are very high.**

**The average affordability gap for non-family households is lower than for family households.**

**Table 8**  
**Core Housing Need Indicators by Age Group**  
**For Lone Parent Families and Non-Family Households - 2001**

Age of Primary Household Maintainer	Lone Parent Families		Non-Family Households	
	% in Core Need	% of Total Affordability Gap	% in Core Need	% of Total Affordability Gap
15-24	68.3%	2.2%	21.4%	2.0%
25-34	49.0%	7.2%	15.4%	3.4%
35-44	32.7%	10.2%	17.9%	3.9%
45-54	20.6%	5.4%	21.7%	4.5%
55-64	17.4%	1.7%	27.0%	4.5%
65-74	15.4%	1.2%	29.0%	4.0%
75 +	13.6%	1.0%	30.5%	4.9%
All Ages	29.2%	28.9%	23.5%	27.3%

Source: Will Dunning Inc., using data from CMHC custom tabulation

For immigrants, the incidences of core housing need vary, depending on the length of time that has elapsed since they immigrated.

The incidences rise for each of the later periods of immigration. For the most recent immigrants the incidence rate (36.0%) is almost triple the rate for non-immigrants.

The consequence of high incidences of core need and large affordability gaps is that immigrant households account for a disproportionate share of the total affordability gap in Canada: while immigrants are 21.6% of households in Canada they account for 36.5% of the total affordability gap.

## For Immigrants versus Non-Immigrants

For immigrants, the incidences of core housing need vary, depending on the length of time that has elapsed since they immigrated. **Table 9** provides the data. For those who immigrated prior to 1976, the incidence (13.3%) is close to the rate for non-immigrants (12.4%). However, the incidences rise for each of the later periods of immigration. Rates are higher than average for all periods of immigration subsequent to 1975. Even for immigrants who arrived from 10 to 15 years prior to the 2001 Census (that is, during 1986 to 1990), the incidence (21.4%) is more than 70% above the rate for non-immigrants (12.4%). For the most recent immigrants the incidence rate (36.0%) is almost triple the rate for non-immigrants.

Moreover, for immigrants, especially recent ones, average affordability gaps are considerably above average. On average, the affordability gap (per core need household) for immigrants is 43% higher than the rate for non-immigrants.

**Table 9**  
**Core Housing Need Indicators for Immigrants,**  
**by Period of Immigration - 2001**

Period of immigration	% in Core Need	Households in Core Need	Affordability Gap \$ Billions	Affordability Gap Per Core Need Household
Non-immigrants	12.4%	1,044,060	-\$4.35	-\$4,171
Non-permanent residents	30.1%	14,015	-\$0.08	-\$6,035
Immigrants	18.3%	427,265	-\$2.55	-\$5,972
Prior to 1976	13.3%	163,180	-\$0.76	-\$4,655
1976 - 1985	16.6%	59,710	-\$0.37	-\$6,156
1986 - 1990	21.4%	52,380	-\$0.36	-\$6,780
1991 - 1995	26.2%	70,830	-\$0.50	-\$7,003
1996 - 2001	36.0%	81,160	-\$0.57	-\$7,065
All Households	13.7%	1,485,335	-\$6.99	-\$4,706

Source: Will Dunning Inc., using data from CMHC custom tabulation

The consequence of high incidences of core need and large affordability gaps is that immigrant households account for a disproportionate share of the total affordability gap in Canada: while immigrants are 21.6% of households in Canada they account for 36.5% of the total affordability gap. The disproportions are greatest for the most recent periods of immigration. Those who arrived during 1996 to 2001 are 2.1% of households but account for 8.2% of the affordability gap. For those who arrived five to ten years prior to the Census (during 1991 to 1995) the share of the total gap 7.1% far exceeds their share of total households (2.5%).

Based on the pattern in the data, it may be that this high disproportion for recent immigrants is a temporary phenomenon (albeit, a temporary one that may have quite a long duration). Based on the pattern, it is quite likely that as immigrants become more settled their incidences (and possibly their average affordability gaps) will fall, which would tend to contribute to a reduction in the overall extent of core housing need and the magnitude of the affordability gap. On the other hand, with immigration into Canada increasing, it seems reasonable to expect that there will be large additions to the pool of households in core housing need. It is unclear which effect will dominate.

A back-of-the-envelope calculation, which assumes that immigrants will achieve rapid improvements in their situations<sup>6</sup>, suggests that:

- For immigrants the overall incidence might fall fractionally, from 18.3% in 2001 to 17.8% in 2006 and about the same in 2011. The average incidence for immigrants would remain well above the rate for non-immigrants (12.4%).
- However, immigrants would represent a rising share of households (from 21.6% in 2001 to 23.5% in 2006 and 25.5% in 2011).
- Consequently, the overall incidence of core housing need would remain at the 2001 rate (13.7%) in 2006 and 2011.
- The average affordability gap for all immigrants would fall marginally (in 2001 dollars), and would remain well above the figure for non-immigrants. With the rising share of immigrants in the population, the overall average affordability gap would be unchanged at about \$4,700 per core need household (in 2001 dollars).
- The combined impact would be that the total affordability gap for all of Canada would rise at about the same rate as the number of households.
- This simulation ignores any consequences of a changing age distribution of the population. A later simulation considers that effect.

### By Labour Force Status

Whether a person is employed is clearly a very good predictor of core housing need (as it is for many socio-economic variables). As is shown in **Table 10**, households that are headed by an employed person have a much lower incidence of core housing need (8.8%) compared to households headed by a person who is unemployed (28.2%) or not in the labour force (that is, a person who is not employed or looking for work), for which the rate is 22.6%.

Households headed by an employed person account for about one-half of the total affordability gap, but then they also account for a larger share of total households (65.4%). On the other hand:

- Households headed by an unemployed person account for just 3.7% of households, but represent 8.4% of the total affordability gap.
- Households headed by a person who is not in the labour force account for 30.9% of households, but 42.2% of the total affordability gap.

**Table 10**  
**Core Housing Need Indicators by Labour Force Status of Primary Household Maintainer - 2001**

Labour Force Status	% in Core Need	Households in Core Need	Affordability Gap \$ Billions	Affordability Gap Per Core Need Household
Not in Labour Force	22.6%	753,910	-\$2.95	-\$3,914
In the Labour Force	9.8%	731,430	-\$4.04	-\$5,524
Unemployed	28.2%	112,840	-\$0.59	-\$5,202
Employed	8.8%	618,585	-\$3.45	-\$5,582
Full-time	7.5%	462,610	-\$2.64	-\$5,709
Part-time	17.1%	155,975	-\$0.81	-\$5,208
All Households	13.7%	1,485,335	-\$6.99	-\$4,706

Source: Will Dunning Inc., using data from CMHC custom tabulation

**Households that are headed by an employed person have a much lower incidence of core housing need (8.8%) compared to households headed by a person who is unemployed (28.2%) or not in the labour force (that is, a person who is not employed or looking for work), for which the rate is 22.6%.**

<sup>6</sup> The methodology is as follows:

- For newly arrived immigrants, the percentage in core need and the average gap is assumed to be the same as for immigrants who arrived during 1996 to 2001.
- The numbers of households arriving during 2001-06 is assumed to be 15% higher than the number who arrived during 1996 to 2001, with a further 15% increase for 2006-11.
- For all cohorts of immigrants (including those arriving prior to and after the 2001 Census), the incidences of need and average affordability gaps are assumed to fall during 2001-06 and 2006-11, to match those of the previously arriving cohorts.
- For each of the immigrant cohorts who arrived in 1991 or later, the number of households is assumed to increase modestly (1% in total) during each Census period, due to rising household formation rates.

**The creation of suitable employment opportunities (and preparing people to take up those opportunities) will be a key factor in reducing core housing need in future.**

**Households whose major income source is transfers from government have a much higher incidence of core housing need (39.1%) compared to households whose major source is paid employment (7.1%), other income (6.8%), or self-employment (14.7%).**

In general, affordability gaps do not vary by much across these categories of labour force status. There is a below-average gap for households whose head is not in the labour force. However, this is because many of these households are retired; they have smaller household sizes and therefore have lower housing needs. Controlling for age, the difference in the average gaps between the categories is reduced.

Looking across the labour force activity categories and dividing into age groups, differences in the incidences of core need become even more marked, as is obvious in **Table 11**. Clearly, the creation of suitable employment opportunities (and in preparing people to take up those opportunities) will be a key factor in reducing core housing need in future.

**Table 11  
Incidences of Core Housing Need by  
Age Group and Labour Force Status of the  
Primary Household Maintainer - 2001**

Age of Primary Household Maintainer	Not in the Labour Force	Unemployed	Employed
15-24	44.8%	37.0%	20.6%
25-34	43.5%	31.3%	10.6%
35-44	44.8%	31.0%	9.0%
45-54	35.8%	26.5%	6.6%
55-64	20.2%	17.8%	6.4%
65-74	15.7%	12.8%	6.1%
75 +	20.0%	26.1%	7.1%
All ages	22.6%	28.2%	8.8%

Source: Will Dunning Inc., using data from CMHC custom tabulation

### *By Source of Income*

A slightly different view (in **Table 12**) looks at core housing need by the households' sources of income. This finds that households whose major income source is transfers from government have a much higher incidence of core housing need (39.1%) compared to households whose major source is paid employment (7.1%), other income (6.8%), or self-employment (14.7%). What's more, households whose major income source is transfers account for almost one-half of the total affordability gap, even though they are just 19.9% of total households.

**Table 12**  
**Core Housing Need Indicators by Major Source of Income - 2001**

Major Source of Income	% in Core Need	Households in Core Need	Affordability Gap \$ Billions	Affordability Gap Per Core Need Household
Paid employment	7.1%	503,350	-\$2.87	-\$5,712
Self-employment	14.7%	65,485	-\$0.36	-\$5,546
Other income	6.8%	840,605	-\$0.35	-\$4,566
Income from government	39.1%	75,895	-\$3.41	-\$4,052
All Households	13.7%	1,485,340	-\$6.99	-\$4,706

Source: Will Dunning Inc., using data from CMHC custom tabulation

Looking at sub-groups by age (in **Table 13**), the incidence of core housing need is extremely high (in excess of 60%) for households whose major source of income is transfers and have a primary maintainer aged less than 55 years. On the other hand, among households for whom the major source of income is paid employment, and are aged 25 or older, incidences of core housing need are well under 10%.

**Table 13**  
**Incidences of Core Housing Need by Age Group and Major Source of Income - 2001**

Age of Primary Household Maintainer	Paid employment	Self-employment	Other income	Income from government
15-24	19.5%	24.1%	22.4%	70.2%
25-34	8.9%	16.8%	30.6%	69.4%
35-44	7.1%	16.5%	30.0%	67.1%
45-54	5.4%	14.9%	18.3%	61.8%
55-64	5.0%	12.6%	7.7%	47.3%
65-74	2.4%	3.3%	1.8%	25.4%
75 +	1.8%	3.5%	2.3%	28.5%
All ages	7.1%	14.7%	6.8%	39.1%

Source: Will Dunning Inc., using data from CMHC custom tabulation

## Aboriginal Households<sup>7</sup>

For all of Canada, the incidence of core housing need for Aboriginal households (24.0%) is 78% higher than the rate for non-Aboriginals (13.5%). Out of 297,725 Aboriginal households for which the analysis could be completed, 71,625 were in core housing need.

Across the provinces and territories (as seen in **Table 14**) there is a wide range of incidences, from lows of 19.0% in Quebec and 19.8% in Alberta to a high of 44.5% in Nunavut. Among the 10 provinces, the highest incidences for Aboriginals are found in Saskatchewan (28.7%) and British Columbia (28.5%). The incidence of core housing need for Aboriginals is higher than for non-Aboriginals in every province and territory.

The incidence of core housing need is extremely high (in excess of 60%) for households whose major source of income is transfers and have a primary maintainer aged less than 55 years.

For all of Canada, the incidence of core housing need for Aboriginal households (24.0%) is 78% higher than the rate for non-Aboriginals (13.5%).

<sup>7</sup> Estimates exclude Aboriginal households on reserves whose housing costs are paid through band housing arrangements.

**The average affordability gap, for all of Canada, is 34% higher for Aboriginals (\$6,219 per year) than for non-Aboriginals (\$4,630). The average gap is larger for Aboriginals in every province and territory, except for Ontario.**

The average affordability gap, for all of Canada, is 34% higher for Aboriginals (\$6,219 per year) than for non-Aboriginals (\$4,630). The average gap is larger for Aboriginals in every province and territory, except for Ontario. In consequence of the high incidences and large average gaps for Aboriginal households, Aboriginals account for 6.3% of the total affordability gap, even though they represent only 2.8% of households.

**Table 14**  
**Core Housing Need Indicators by Province or Territory, Aboriginals versus Non-Aboriginals - 2001**

Province/ Territory	Incidence of Core Housing Need		Affordability Gap Per Core Need Household	
	Aboriginal	Non-Aboriginal	Aboriginal	Non-Aboriginal
Nfld. & Lab.	22.3%	14.4%	-\$7,116	-\$4,923
PEI	24.4%	12.8%	-\$4,816	-\$3,793
Nova Scotia	22.5%	15.1%	-\$5,114	-\$4,017
New Brunswick	21.9%	11.0%	-\$4,087	-\$3,207
Quebec	19.0%	12.5%	-\$4,903	-\$3,100
Ontario	20.6%	15.0%	-\$5,256	-\$5,494
Manitoba	25.8%	10.1%	-\$4,840	-\$3,792
Saskatchewan	28.7%	9.8%	-\$5,215	-\$3,854
Alberta	19.8%	10.0%	-\$5,198	-\$4,221
British Columbia	28.5%	15.3%	-\$6,168	-\$5,506
Yukon	25.3%	13.4%	-\$7,770	-\$5,901
NWT	25.3%	10.1%	-\$12,371	-\$6,669
Nunavut	44.5%	17.2%	-\$24,540	-\$19,390
Canada	24.0%	13.5%	-\$6,219	-\$4,630

Source: Will Dunning Inc., using data from CMHC custom tabulation

### Population in Core Need Households

As has been noted above, 1.5 million Canadian households were in core housing need in 2001. The tabulations provided by CMHC indicate that these 1.5 million households include a total of 3.18 million people. For households in core housing need, the average size is 2.14 people, compared to the average of 2.56 people for all households.

**Table 15** shows the distribution of the core need population by age group. It indicates that 11.5% of the population lives in households in core housing need. It also shows that the incidence of core housing need is highest for the youngest and oldest Canadians.

**Table 15**  
**Population (In 1,000s) in Core Housing Need**  
**by Age Group - 2001**

Age Group	Total Population	Population Living in Households in Core Housing Need	% of Population in Core Need
0-4	1,571.1	248.8	15.8%
5-9	1,835.9	277.5	15.1%
10-14	1,901.9	257.4	13.5%
15-24	3,665.5	438.0	11.9%
25-34	3,717.0	409.9	11.0%
35-44	4,756.2	488.7	10.3%
45-54	4,114.3	349.7	8.5%
55-64	2,639.4	260.0	9.9%
65-74	2,023.3	223.6	11.0%
75 +	1,471.5	228.9	15.6%
All Ages	27,696.2	3,182.4	11.5%

Source: Will Dunning Inc., using data from CMHC custom tabulation

**More than 1.5 million Canadian households were in core housing need in 2001. 11.5% of the population lives in households in core housing need. And the incidence of core housing need is highest for the youngest and oldest Canadians.**



# Recent Trends and Looking Ahead

CMHC's published reports provide estimates of core housing need for three Census periods – 1991, 1996, and 2001.

The incidence of core housing need rose during 1991 to 1996 (from 13.6% in 1991 to 15.6% in 1996) but then fell during 1996 to 2001 (when the rate was 13.7%). The result is that the incidence of core housing need in 2001 was virtually the same as the 1991 rate.

Core need data from the 2006 Census are not yet available. It is possible that the incidence of need will fall once again, because incomes have increased more rapidly than housing costs. Income growth has been strong because the percentage of Canadian adults who are employed - the employment rate in the chart below - is at a record level.

During 2001 to 2005, rates of growth of median incomes were:

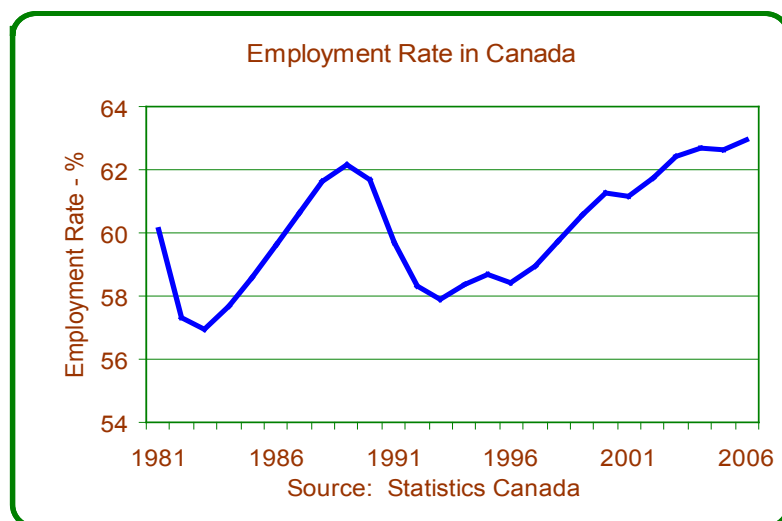
- For couple families - about 13.4%.
- For lone parent families – about 10.3%.
- For persons not in Census families – about 8.5%.

Meanwhile, housing costs have increased at a moderate rate, as reduced interest rates have stimulated a pronounced movement away from rentals towards homeownership. This has resulted in slow growth of rents, which increased by just 4.4% during 2002 to 2006. This is substantially less rapid than the rates of income growth shown above and the overall inflation rate (which was 9.1% over the same period). For homeowners, falling mortgage interest rates have partially offset rapidly rising house prices. The consequence is that monthly costs of homeownership have increased. During 2002 to 2006, the cost of "shelter" for owned accommodation, as estimated by the Consumer Price Index, rose by 13.7%, which is slightly faster than income growth for couple families, though much faster than income growth for non-family persons and lone parent families. A preliminary conclusion is that for 2001 to 2006 the incidence of core housing need might have fallen among renters but increased slightly or be unchanged for homeowners.

**The incidence of core housing need rose during 1991 to 1996 (from 13.6% in 1991 to 15.6% in 1996) but then fell during 1996 to 2001 (when the rate was 13.7%). The result is that the incidence of core housing need in 2001 was virtually the same as the 1991 rate.**

**Core need data from the 2006 Census are not yet available. It is possible that the incidence of need will fall once again, because incomes have increased more rapidly than housing costs.**

**A preliminary conclusion is that for 2001 to 2006 the incidence of core housing need might have fallen among renters but increased slightly or be unchanged for homeowners.**



**Recently, housing costs have begun to accelerate. In the year to June 2007, the cost of owned accommodation has increased by 4.9%, although the cost for renters has increased by just 1.5%, which is below the overall inflation rate of 2.2%.**

Given that about two-thirds of core need households are renters, the overall incidence of core housing need might have fallen during 2001 to 2006.

Meanwhile, the number of households in Canada has increased. Early data from the 2006 Census indicates that the number of households rose by 7.5% during 2001 to 2006.

Therefore, while the incidence of core need might have fallen during 2001 to 2006, the implication of growth in the total number of households is that the number of households in core housing need might not have changed by very much during 2001 to 2006.

It becomes increasingly speculative to develop expectations about changes in the total affordability gap during 2001 to 2006, but it appears unlikely that it has changed by very much.

Most recently, housing costs have begun to accelerate. In the year to June 2007, the cost of owned accommodation has increased by 4.9%, although the cost for renters has increased by just 1.5%, which is below the overall inflation rate of 2.2%.

During the first six years of this decade, falling interest rates served to moderate cost increases for owned accommodation (and indirectly contributed to slow growth of rents). It is clear at this time that the period of falling interest rates has ended and that therefore housing costs will rise more rapidly than they did during the first half of the decade, especially for homeownership, and possibly for rentals. Likewise, the trend seen during 1996 to 2006 of falling incidence of core need will be weakened, although it is unclear whether the incidence might begin to rise.

The remainder of this section looks forward and develops a preliminary scenario for the evolution of core housing need in Canada. This scenario is based on a simplifying assumption, that for each age group (by province) the incidence of core housing need and the average affordability gap (in 2001 dollars) will remain at 2001 levels<sup>8</sup>. This implicitly assumes that for each age group income levels (and wealth) and housing costs will remain at 2001 levels. The methodology also assumes that household formation rates (by age group by province) will remain at 2001 levels. Therefore, the key factor that drives this scenario is growth in the population (by age group and by province).

The simulation relies on Statistics Canada projections of population growth, by province, by age group<sup>9</sup>.

The simulation suggests that the aging of the Canadian population might lead to a slight increase in the incidence of core housing need in Canada. Over the coming decades, younger age groups (under 55 years) will account for a falling share of the population, and the older age groups will have a rising share, as is shown in **Table 16**.

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<sup>8</sup> It is of course possible to imagine many other scenarios, including ones in which incomes grow more rapidly than housing costs (especially rents) and result in falling incidences of need. On the other hand, scenarios could be developed in which high levels of immigration lead to rising incidences of core need. Therefore, while this scenario is not intended to be seen as definitive, it does provide a preliminary indication of possible future trends.

<sup>9</sup> As published in "Population Projections for Canada, Provinces and Territories, 2005-2031". Statistics Canada Catalogue number 91-520-XIE. Projection Scenario 3 is used here.

**Table 16**  
**Households By Age in Canada – Projected % Distribution by Census Period**

Age of Primary Household Maintainer	2001	2006	2011	2016	2021	2026	2031
15-24	3.5%	3.3%	3.1%	2.8%	2.5%	2.4%	2.4%
25-34	15.4%	14.7%	14.5%	14.1%	13.5%	12.5%	11.5%
35-44	23.7%	21.0%	18.4%	17.7%	17.6%	17.4%	16.9%
45-54	21.7%	22.5%	22.4%	20.1%	18.0%	17.6%	17.8%
55-64	14.1%	16.5%	18.3%	19.3%	19.5%	17.8%	16.2%
65-74	11.8%	11.5%	12.5%	14.9%	16.8%	18.0%	18.6%
75 +	9.8%	10.5%	10.8%	11.1%	12.2%	14.3%	16.7%

Source: projections by Will Dunning Inc., using data from CMHC and data and projections from Statistics Canada

Since mid-age adults have below average incidences of core housing need, and because the oldest age group has an above average rate of core need, the result is that the overall incidence of core housing need is projected to rise (very slightly) during the coming decades. As shown in **Table 17**, from 2001 to 2031, the incidence of core housing need would rise from 13.7% to 14.3%. The number of households in core housing need would rise by 48% during 2001 to 2031. This would be greater than the increase in the total number of households (42.3%)

The age distribution of core need households will shift over time. In 2001, 26.5% of core need households had a primary household maintainer aged 65 or older. By 2031, that share will increase to about 42%. However, older age groups on average have smaller affordability gaps (per core need household) than do younger households. Therefore, the average affordability gap (in 2001 dollars) will tend to fall gradually over time. From the figure of \$4,706 in 2001, the average gap would fall to \$4,373 in 2031, a drop of 7.1%.

The total affordability gap (in 2001 dollars) would rise by 37.5% over the 30 year period. The total gap would rise by less than the total number of households (which is projected to increase by 42.3%). The result is that the affordability cost burden (expressed as the average cost per total households, in 2001 dollars) would fall during the projection period, by 3.3%.

Therefore, while the number of households in core housing need and the total affordability problem in Canada are projected to expand during the coming decades, Canada as a society should become better able to afford to address housing needs.

Since mid-age adults have below average incidences of core housing need, and because the oldest age group has an above average rate of core need, the result is that the overall incidence of core housing need is projected to rise (very slightly) during the coming decades.

**Table 17**  
**A Scenario for the Evolution of Core Housing Need in Canada**

	2001	2006	2011	2016	2021	2026	2031	% Change 2001-2031
Households	10,806	11,655	12,464	13,255	14,028	14,736	15,375	42.3%
Households in Core Housing Need	1,485	1,602	1,715	1,834	1,957	2,081	2,198	48.0%
% in Core Need	13.7%	13.7%	13.8%	13.8%	14.0%	14.1%	14.3%	4.0%
Total Dollar Gap (\$ Billions)	-\$6.99	-\$7.48	-\$7.93	-\$8.38	-\$8.83	-\$9.24	-\$9.61	37.5%
Average Gap (Per Core Need Household)	-\$4,706	-\$4,669	-\$4,624	-\$4,572	-\$4,511	-\$4,438	-\$4,373	-7.1%
Average Gap (Per Total Household)	-\$647	-\$642	-\$636	-\$632	-\$629	-\$627	-\$625	-3.3%

Source: projections by Will Dunning Inc., using data from CMHC and data and projections from Statistics Canada

# Implications

This analysis has identified a large housing affordability gap in Canada, which has been estimated at \$6.99 billion as of 2001. The gap may not have changed by very much in the years since 2001, due to strong growth in income and slower growth of housing costs. However, it is likely to expand further in the coming years and decades as the population grows. In particular, anticipated high levels of immigration into Canada may very well result in an expanding incidence of core housing need in Canada, as immigrants are considerably more likely to be in core need than are non-immigrants, and the average affordability gap (per household) is larger for immigrants than for non-immigrants.

This high level of core housing need calls for responses from Canada's federal and provincial governments. While \$6.99 billion is an enormous sum of money, in the context of a \$1.5 trillion dollar Canadian economy, \$6.99 billion is not an insurmountable cost.

Housing assistance can be provided through various means, including housing supply programs and various types of housing allowance and/or housing cost supplement programs, as well as via housing rehabilitation programs (in situations of inadequate dwellings).

The housing assistance responses that are used should of course vary depending upon particular circumstances (the types of need and the costs of alternative approaches).

This report is not intended to address or assess policy and program options, but does make one broad observation.

Past research has pointed out that housing allowance programs can stimulate new housing demand which would result in lower vacancies, bringing rising housing costs and therefore rising program costs<sup>10</sup>.

The extent of demand increases and cost increases will depend upon program parameters, including the number of program beneficiaries, the amounts of assistance provided, as well as local market conditions (among the key factors is whether the private sector responds to the anticipated increase in housing demand and provides appropriate new housing stock).

In conclusion, in order to mitigate the cost increases that result from market impacts, it will often be desirable to anticipate and accommodate the increase in market demand by developing new housing supplies.

**A household is said to be in core housing need if its housing falls below at least one of the adequacy, suitability, or affordability standards and it would have to spend 30% or more of its before-tax income to pay the median rent of alternative local housing that is acceptable (meets all three standards).**

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<sup>10</sup> A brief summary is provided in "Housing Allowance Options for Canada", by Meryl Finkel, Carissa Climaco, Jill Khadduri, Marion Steele. Abt Associates Inc., published by CMHC in 2006. Pages 76-78.



# About Will Dunning Inc.

Will Dunning Inc. is an economic research firm. Based in Toronto, the firm specializes in the economic analysis of housing markets. Research activities include: housing market forecasts, demographic analysis and projections, and project-specific market feasibility studies.

The firm is led by Will Dunning. His 25 years of experience includes almost 10 years as a consultant who specializes in housing market studies, economics, and demographic analysis. Prior to becoming a consultant, Will was with Canada Mortgage and Housing Corporation for about 16 years. This included six years as the senior analyst and manager of CMHC's market analysis function in the Greater Toronto Area. While with CMHC, Will was responsible for all aspects of CMHC's housing surveys and market analysis for the Greater Toronto Area. This included economic, demographic, and housing market analysis.

Clients of Will Dunning Inc. include:

- Associations (including Canadian Home Builders' Association, Ontario Residential Council of Construction Associations, and the Canadian Association of Accredited Mortgage Professionals).
- Government departments and agencies (including Ontario Ministry of Municipal Affairs and Housing, and Statistics Canada).
- Non-profit organizations (including the Agency for Co-operative Housing, the Co-operative Housing Federation of Canada, Social Housing Services Corporation, and Neptis Foundation).
- The private sector (developers, investors, and financial institutions).

The firm's website – [www.wdunning.com](http://www.wdunning.com) – provides a variety of reports and presentations on housing markets and other topics.

