

Rental Housing Dynamics and Lower-Income Neighbourhoods in Canada

Greg Suttor

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Executive Summary

This paper reviews the role of housing processes, especially in the rental housing sector, in explaining some recent trends in Canadian cities. These trends include more spatial concentration of poverty, more low-income neighbourhoods in postwar areas, and correlation between rental housing and neighbourhood poverty.

The analysis is informed by three concepts from the literature on housing and urban change: filtering, socio-tenure segregation, and rental residualization. Filtering refers to the way older housing tends to decline over time in status, quality, income profile, and relative price. Socio-tenure segregation refers to the way the different locations of rental and ownership shape the geography of income. Residualization refers to the way rental housing is now characterized by lower-income residents, lower policy priority, lower levels of investment, lower quality, and lower neighbourhood status compared with rental housing in the postwar period.

Housing processes are the main causal or mediating factors in the changing social geography of urban areas. Neighbourhood change is propelled by the way constantly shifting demand is matched to slowly changing housing stock. This process plays out as a system-wide “sorting” of different types of households into different types of housing and neighbourhoods. Widening income disparities today bring about a sharper form of spatial and income sorting, while lagging incomes and lack of job security disproportionately affect lower-income areas.

Ongoing growth is spread across the income spectrum. A central question for the geography of poverty is how the low-income segment of that growth, including the in-migration of lower-income populations, is absorbed within the housing system. The urban spatial patterns of ethno-racial, immigrant, and Aboriginal groups must be understood through these housing processes.

In Canada today, postwar rental housing stock is absorbing a large share of this low-income segment of ongoing growth. The volumes are very large: for example, up to 50,000 low-income renters are added each decade in Greater Toronto, and up to 20,000 in Metro Vancouver. The dominant form that filtering and residualization takes is more tenants having low incomes; the share in the lowest quintile has risen from 20 percent of tenants in the 1960s to 40 percent in recent years. In social or income terms, this tends to mean filtering in areas with more rental housing. This trend is associated with net out-migration of middle-income households from rental apartment buildings and rental neighbourhoods, and declining status for those buildings and neighbourhoods. Although these dynamics are set in motion by broad forces across the housing market, factors within particular neighbourhoods may then come into play.

The emergence of more spatial disparities and more disadvantaged neighbourhoods in urban Canada arises partly from the shift from a postwar housing production regime with mixed tenure and a wide range of prices, to one skewed to homeownership and to the upper-income half of society.

The income mix in postwar production was largely a function of private rental development, which from 1955 to 1980 comprised fully one-third of total production. Subsidies to private rental production kept this system going for a decade or so after its basis in demographics and market demand collapsed in the 1970s. Income mix in production was also a function of social

housing, which in 1965 to 1995 accounted for 10 percent of net additions to Canada's housing stock. Social housing in that period accommodated half of the net increase in low-income renters that is an integral part of ongoing growth.

The shift to lower levels of rental housing production means more reliance on filtering as the way the housing system accommodates the low-income renter segment of growth. The lack of new social housing reinforces these effects, as it means more low-income demand must be accommodated in the rental market. The rental sector has been able to accommodate more low-income households, despite its slow growth, because of a large net outflow of middle-income households to homeownership. Whereas in the 1960s and 1970s rental production virtually equalled the net increase in renters, since the 1980s production and filtering each accommodate about half of the net increase in renters.

The decline in production and greater reliance on filtering has consequences for spatial income mix. The postwar private and social rental production was spread across urban space: despite some concentrations of rental housing in prewar central-city areas, in most large Canadian cities, rental housing and apartment buildings comprised one-third to one-half of dwellings in suburbs developed in the 1950s and 1960s. By contrast, suburbs built in the 1970s or later have few apartment buildings or rented dwellings. With newer areas offering few options to low-income renters, that segment of ongoing growth is therefore increasingly absorbed in postwar suburbs that have a lot of rental stock. This spatial pattern has led to increasing concentrations of poverty in such areas. In a few cities, however, the "inner city" remains the locale of poverty, rather than postwar areas.

The decline in production and greater reliance on filtering also has consequences for housing quality. In the postwar period many lower-income renters lived in housing of middle or good quality because the buildings were new. Today, the combination of low-income renters and older buildings tends to lead to lower maintenance by various owner-investors (for reasons well explained in housing economics), and therefore to lower housing quality.

These shifts in Canada's housing system and urban space are associated with broader shifts in social and economic policy. The lesser income mix of Canadian cities today can be understood as part of changes in the Canadian political economy from the 1950s to the 1970s. Canada has been "coming off" a postwar labour market, policy regime, and housing market that were less polarized and less entirely market-driven, to ones that are more so.

Author

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1. Introduction

This paper reviews the role of housing processes, especially in the rental sector, in explaining change in urban Canada's lower-income neighbourhoods. The Neighbourhood Change Research Partnership (NCRP) has identified trends shared by Canadian cities: increasing numbers of low-income neighbourhoods, more of them in areas developed during the postwar period, and greater separation between neighbourhoods where affluent residents live and those where lower-income residents live (Ades et al., 2012; Hulchanski, 2010; Walks, 2013). Certain neighbourhoods have a greater concentration of low-income households, rental housing, declining incomes, and disadvantaged social groups. Why are these characteristics associated spatially and why have these trends appeared?

A combined focus on lower-income neighbourhoods and rental housing tends to show the two as increasingly entwined. Although we must be concerned about adding to the stigmatization of rental apartments that has emerged in Canadian cities, it is also essential that we understand the processes and relationships at work.

Neighbourhood research often focuses on conditions of life or on spatial patterns, but it is also important to understand their causes. Much research on social patterns in urban space does not consider housing (e.g., Chen, Myles, and Picot, 2012; Gibson, 1998; Hunter, 2003; Jargowsky, 2002; Johnston, Poulsen, and Forest, 2007; Stanger-Ross and Ross, 2012). But spatial patterns of income and ethno-racial geographies arise from spatial sorting in the housing system, among groups with different levels of resources and power in the market.

If we are interested in how spatial polarization in Canadian cities relates to global economic forces and to neoliberal policy, we must probe the specific ways market forces and policy mediate and structure such relationships. The price-tenure mix of housing production and the ways that housing is supplied to lower-income households have both varied widely over time. Both have been much influenced by policy in the past, and can be shaped by policy today. If we seek policy approaches to mitigate urban polarization, we need to understand the role of housing in shaping spatial patterns.

The starting point is the importance of housing in explaining urban spatial change, and of dynamics operating across the whole local housing market in explaining change in neighbour-

hoods. Housing-related processes are the principal drivers (causal factors) of change in urban spatial patterns. These drivers include the characteristics and location of new supply, prices by area, up- or downshifts in status and quality, and so on. The “choices” that households make on the demand side are highly constrained by geographic patterns of housing supply: the tenure, prices, status, and locations of different types of stock. Further, change across the whole urban area—the local housing market or local labour market—is the main driver of local neighbourhood change. Forces operating within the neighbourhood are important secondary factors, but always in relation to other neighbourhoods and to the overall dynamics across the local housing system. Each of these general arguments is explained in Section 2.

This paper is informed by three concepts from the research literature on housing and urban change: filtering, socio-tenure segregation, and rental residualization. The first comes from the classic U.S. and international literature on urban change; the other two are concepts from European housing research of the past three decades. Together they explain much of the changing geography of low income in Canadian cities since the 1970s, including widening spatial disparities and more numerous disadvantaged neighbourhoods. Although familiar to many scholars, these sources have rarely been invoked in recent Canadian research on neighbourhood change. The paper also sets out related empirical evidence.

The first essential concept is filtering. This refers to the way older housing tends to decline over time in status, quality, income profile of occupants, and sometimes relative price (Galster, 1996; Grigsby et al., 1987; Rothenberg et al., 1991). In the market, and in a market-dominated housing system, filtering is the main process by which housing is supplied to households with low and moderate incomes. We must consider the relative significance of filtering vis-à-vis rental production in meeting the ongoing increase in low- and moderate-income renters that is part of ongoing growth. Filtering may have been long since discredited as a social model or supply strategy (Skaburskis, 2006), but it is active in the housing market and urban space.

The second essential concept is socio-tenure segregation (Hamnett, 1987; Murie and Musterd, 1996; Arbaci, 2007). This refers to the way in which the different locations of rental and ownership shape the geography of income. In affluent societies in which homeownership dominates and rental is a lower-income sector, the spatial patterns of low- and moderate-income households are strongly shaped by the geography of rental housing, which differs from the much larger homeownership sector. In Canada, where rental tenure is mostly a product of building rental apartments (rather than of existing dwellings shifting to rental occupancy), the greater or lesser production of rental housing in different periods and “rings” of urban growth dominate the evolving geography of low income.

The third concept is rental residualization (MacLennan and Pryce, 1996; Lupton et al., 2009). This term refers to the fact that rental housing is no longer mainstream and now houses lower-income parts of society; that rental has low policy priority and low levels of investment; and that rental housing tends to be of lower quality, somewhat stigmatized, and associated with neighbourhoods of poverty. Such characteristics today contrast with much of the rental sector during the postwar era.

Rental housing is not significant for spatial income mix across the middle and upper parts of the income spectrum. Beyond the geography of low income, income decline in urban space is the

result of diverse factors, many of them benign. These include aging in place, the relative price-status decline of older suburban housing, intensive suburbanization of up-market urban fringe locales, and infill in the form of condos that attract a wide mix of incomes. This paper is not concerned with such other dimensions of spatial income change or filtering.

The shifting place of rental housing in the housing system, and in urban space, is part of an evolving political economy of housing. The large, well-documented changes from the postwar era to the neoliberal era in the realms of public policy, finance, and the labour market are strongly reflected in housing. Rental housing had a significant place in Canada's postwar housing regime, and a very different place in its post-1980s housing regime. Residualization, socio-tenure segregation, and a larger role of filtering are all part of this reshaping of urban space.

The paper is organized in eight sections. The next section explains the significance of housing in shaping social patterns in urban space, and of factors operating across the whole housing market in shaping local neighbourhood change. Sections 3 to 5 deal with the core concepts of filtering (in relation to production), rental residualization, and socio-tenure segregation. Section 6 takes a different angle, considering rental subsectors other than the dominant one of private rental apartment buildings. Section 7 makes the link to the changing political economy of housing. The concluding section suggests some implications for how we understand change in Canada's lower-income neighbourhoods, and for future research.

2. Ideas about Housing and Neighbourhood Change

2.1 Housing and Other Factors in Neighbourhood Change

Recent research on spatial segregation in Canadian cities notes the role of housing, but except for gentrification (e.g., Walks and Maaranen, 2008) the housing-related causes of that segregation are little explored. Walks and Bourne (2006, p. 294) noted that in Toronto the “spatial concentration of [rental] apartments is the most important single factor predicting the spatial patterning of neighbourhood low income.” The “three cities” account of Toronto polarization (Hulchanski, 2010) identifies housing as a major factor. But what processes are operating?

Housing factors strongly shape the social patterns of urban space, and housing-related processes are the principal drivers of change (Bourne, 1981; Grigsby et al., 1983; Van Kempen, 2005). Housing markets generate change as they match a set of constantly shifting segments of demand onto a more slowly shifting stock of housing, also segmented. Key dimensions of market segmentation on the demand side are household type, social class and income, and taste and lifestyle; on the supply side they are price, associated quality and status, built form, and tenure. Segments may also be defined in spatial terms. And for lower-income households, rental housing is the most significant housing part of the housing system.

Neighbourhood change is propelled by the way this matching of demand and supply plays out across urban space. These processes amount to a system-wide “sorting” of different types of households into different types of housing and neighbourhoods (Bourne, 1981, pp. 146ff; Knox, 1993; Van Kempen, 2005). At the neighbourhood level, this process can take the form of differential turnover, whereby the profile of those moving in differs from those moving out; or as upgrading or downgrading in income, price, status, or quality.

To say that housing-related processes are central in shaping urban spatial patterns and neighbourhood change is not to negate other factors. Public policy, the local economy and labour market, household income trends, demographic change, race relations, migration, urban development history—all these are important (Marcuse and Van Kempen, 2000). But how they manifest spatially is mediated by demand, supply, and choices in the housing system. Housing can be seen as a frame, setting the context within which on-the-ground sociological factors play out,

including group affinities, taste and “lifestyle,” status and aspiration, norms and preferences, and discrimination.

The urban spatial patterns of ethno-racial and immigrant groups must be understood through the lens of housing. People in a given social group often live in the same neighbourhood for many reasons: information networks in housing search, social familiarity and comfort and shared language, shared taste and aspirations, discrimination, social networks and supports, and having culture-specific shops and services at hand. Economic position, housing market options, and group affinity all interact to create immigrant and ethno-racial minority enclaves (Galster et al., 1999; Ray, 1998; see also Ley and Smith, 2000; Musterd and Ostendorf, 2005). Yet structural factors in the housing system are central in the geography of ethno-racial minority and immigrant groups (Abramsson and Borgegård, 1998; Arbaci, 2008; Musterd and De Vos, 2007; Van Kempen, 2005). In Europe such enclaves often arise as households move from down-market private rental into social rental and then onward, in pursuit of better housing conditions (Musterd and de Vos, 2007). “Explanations that stress the importance of income, the supply of dwellings and the accessibility of those dwellings are generally more fruitful than explanations that emphasize the preferences and choices of individuals and households” (Van Kempen, 2005).

2.2 Forces across the Urban Area Driving Neighbourhood Change

Forces of growth and change from outside a neighbourhood, rippling across the broad urban housing market, are the main drivers of change within a neighbourhood (Galster, 2003). Among such forces, some of the most prominent are the labour market, the way that urban growth is absorbed in the housing system, and migration. This section briefly considers these forces.

Labour Market and Housing Market

The labour market is a necessary starting point for considering the housing market. Spatial separation by group and the housing characteristics of lower-income households and disadvantaged neighbourhoods are visible manifestations of disparities in the labour market and in resulting household incomes.

Widening disparities of income may get magnified into even wider disparities in urban space. This process is rooted in the much larger share of income that low-income households spend on housing, compared with affluent ones. Because the range of market incomes is much wider than that of market housing costs, housing takes a larger share of income of the poor, and inequality in disposable income is wider after housing costs are accounted for (see, for example, Jackson, 2004; Maclennan and Pryce, 1996, p. 1855). For example, by quintile from low to high, Canadian households in 2012 spent respectively 33, 27, 23, 21, and 16 percent of income on housing (Survey of Household Spending, 2014). To save \$200 to \$300 in monthly housing costs can make a large difference in after-rent disposable income for a low-income household. In many Canadian cities this is the difference between renting in a mid-market versus down-market neighbourhood. Constrained choice, and willingness to sacrifice quality for cost savings, may thus push low-income demand into lower-cost neighbourhoods in a way that is disproportionate to the income differences involved.

How do widening labour market and income disparities propel rising income disparities by neighbourhood? There are two main mechanisms (see Chen, Myles, and Picot, 2012; Myles, Picot, and Pyper, 2000). First, workforce trends hit poor areas harder. Second, wider disparities foster more “sorting” of poor and affluent households into affluent areas. The occupations in which wages are not rising are mostly lower-skilled, lower-paid positions—and these workers are likely to be living in lower-income or working-class neighbourhoods. For example, looking at economic families, treating census tract as neighbourhoods, and using a particular methodology, Chen, Myles, and Picot (2012) found that in large Canadian cities (1981–2006), growing spatial separation by income was mostly attributable to rising income inequality, as people in lower-income areas saw little increase in real incomes. About one-quarter to one-half of the increase in spatial disparities was due to increased spatial sorting of poor and affluent. Differences in transfer income were not very significant, nor were differences in unemployment rates, except in Toronto.

Housing options are very constrained for low-income renters. The housing market does not sort households in some equitable, neutral way. It can be conceived of as a bidding hierarchy, with low-income households at the bottom (see Badcock, 1984, p. 189). Their incomes enable them to bid only for market segments not favoured by more affluent households—areas usually less desirable in quality, tenure, or location. This situation is exacerbated by rules such as landlords’ requirements on income, rental history, credit standing, and references (Lapointe et al., 2004), and, in some cases, discrimination (Novac et al., 2002). Constrained choice means that low-income households usually pay rents that are high relative to the level of housing quality (Barlow and Duncan, 1994, p. 11; Grigsby et al., 1987).

In many Canadian cities, options for lower-income households tightened considerably over the 1980–2000 period, especially in the early to mid-1990s. Incomes for low and moderate income households overall have risen very little in 25 years. Meanwhile, the numbers of moderate-priced rental units have dramatically declined. For example in Toronto (Suttor, 2007, p. 43), at a typical income for low- and moderate-income households (first quintile or \$26,200 in 2000), a household could afford an average one-bedroom rent at 29 percent of income in 1980 or 1990, but by 2000, it took 38 percent. An average two-bedroom took 35 percent of income at the earlier dates, but by 2000, it took 45 percent. Nominal income had gone up just 13 percent, falling behind inflation, while rents had risen 44 to 50 percent.

Absorption of Overall Growth

One key to understanding neighbourhood change is to consider how the increment in households that occurs each year—or each decade—is absorbed in different parts of the housing system. This is discussed in more detail in Section 3, but we will set the stage here.

In a dynamic urban area, the magnitude of net growth is enormous. For example, the census metropolitan areas of Toronto and Calgary added, respectively, 312,000 and 94,000 households per decade between 1991 and 2011 (see Table 1). The number of households in these urban areas has approximately doubled every three decades. Net growth is not the same as newly arrived or newly formed households. Households are formed and dissolved all the time as people move through the lifecycle or migrate in or out; the concern here is net change.

This ongoing growth is spread across the income spectrum, from high to low. Typically 10 to 15 percent are low-income renters.¹

Table 1 presents estimates for the six CMAs studied in the Neighbourhood Change Research Partnership, using the first (bottom) quintile as the definition of low income. The low-income renter share of growth would equal the low-income renter share of households, if household formation patterns were steady. But they are not steady, so long-run estimates are uncertain.² Nevertheless, the long-run decennial net increase in low-income renters is large: probably more than 34,000 in Toronto, 19,000 in Montréal, 14,000 in Vancouver, 9,000 in Calgary, and 2,000 each in Halifax and Winnipeg. Actual increase in low-income renters will vary, depending on income and rent trends' effects on household formation, and the role of low-income ownership.

Table 1: Volume of Growth in Low-Income Renters

	Total households added per decade (net)	Low-income* renter households added per decade (net)	
		1991–2001 Actual per decade	Long-run average: 10–15% of total growth
Toronto	340,000	25,000	34,000–51,000
Montréal	189,000	21,000	19,000–28,000
Vancouver	141,000	8,000	14,000–21,000
Calgary	94,000	4,000	9,000–14,000
Winnipeg	20,000	1,000	2,000–3,000
Halifax	23,000	3,000	2,000–3,000

Source: Households per decade from census/NHS data, average of 1991–2011, rounded. The 340,000 for Toronto is the Greater Toronto Area; it was 311,500/decade for the Toronto CMA, which excludes large suburban growth zones in Burlington, Whitby, etc.

Growth in renter households is an integral part of ongoing growth—about 30 percent of long-run growth. This net increment is referred to as “net rental demand.”

- 1 There are various ways of defining low income in this context; common definitions are households in the lowest quintile, below half of median income, below the Low Income Cut-Off (LICO), or below the Core Need Income Threshold (CNIT). All these definitions fall on similar places on the income spectrum.
- 2 Actual growth in low-income renters in 1991–2011 was 8 percent of growth in the cities studied: far short of the weighted average 13 percent low-income renter share of households in 2006 or 2011 (the latter was down from 15 percent in 1991 or 1996). The 1991–2001 period was strongly affected by factors that reduced low-income renter household formation: (a) large shifts in the labour market and social benefits, disadvantaging low-income households; (b) declining household formation among young adults, low-income people, and recent immigrants, due largely to such shifts and the resulting rent/income gaps; (c) strongly rising overall homeownership rates, including more lower-income seniors; (d) the virtual end of income-targeted social housing production, which had raised household formation in the lowest quintile. The average first-quintile share of total growth was 15 percent in 1971–2001 (census microdata); it was 18 percent for 1971–1991, the period when social housing production was most significant nationwide.

Most net growth in middle- and upper-income parts of the spectrum can be absorbed by new housing production (although other adjustments occur too). But those in the lower-income part of the spectrum cannot afford new housing. In the market, the lower-income segment of ongoing growth and the rental segment are predominantly absorbed by existing housing shifting to accommodate households with a lower economic profile than before—that is, “filtering.” Among the main concerns of this paper is the changing way that the rental segment of ongoing growth has been met by production or by shifts in occupancy of existing stock.

Urban Migration Flows

The impact of immigration on Canadian cities, housing markets, and neighbourhoods since the 1980s is well documented, and there is some research on Aboriginal migration in Prairie cities. It is useful to look at housing through a migration lens: first in terms of broad impacts across the urban housing market, and second in terms of in- and out-migration at the neighbourhood level.

Migration is a large factor not only in overall urban growth, but also in change at the neighbourhood level. Rothenberg et al. (1991) considered migration flows among other large factors in their neoclassical analysis of demand and supply in a segmented housing market. Two of their scenarios (pp. 222–230), paraphrased here, are relevant to this paper: first, a reduction in demand by affluent households, and second, the impact of an influx of lower-income households.

In the first scenario, the decreased presence of affluent households means less demand for higher-quality housing.³ This change creates an incentive for some landlords to let their housing decline to lower quality, because fewer renters can pay high prices. It makes business sense to do this rather than keep up good maintenance in the hopes of attracting middle-class tenants willing to pay more for better quality. In the second scenario, the influx of lower-income households has different short- and medium-term impacts. In the short term, it propels price increases, but in the medium term, it induces a shift of stock into lower-quality submarkets to match demand. In either case, there will be ripple effects across higher, middle and lower price-quality submarkets, as demand tilts toward the low end and quality declines.

This theory, articulated with reference to cities in the United States in the postwar period, is relevant to Canada today. U.S. central cities in the 1950s to 1980s had an exodus of middle-income households to the suburbs, and an influx of lower-income residents, especially Black rural-urban migrants. That influx “located” there because in a context of racism and a market-driven housing system, other areas offered almost no supply response to this low-income segment of rapid growth.

For most of urban Canada today, these scenarios are a description of postwar rental (and some “inner ring” homeowner) areas: an exodus of middle-income households to the newer suburbs, and an influx of lower-income residents—mostly new immigrants. In some Prairie cities inner-city decline remains dominant and many low-income in-migrants are Aboriginals. In either case, that influx “locates” in those segments of urban space because other areas offer almost no supply response to this low-income segment of growth. This housing market response to demand can engender a negative cycle of stigmatization and disinvestment, soft or severe,

3 “Demand” for given quality refers not to what one might wish to have, but what one is willing and able to pay for.

and the shift may be reinforced by racial divides. While many differences exist between U.S. central cities then and postwar Canadian rental now – spatial locale, local government context, immigration versus urban-rural migration, particular histories of racism, and so on – the parallels are worth contemplating. Just as U.S. and West European scholars have found it fruitful to compare poor neighbourhoods in their respective urban contexts (De Souza Briggs, 2003; Friedrichs et al., 2003), in Canada we can learn much by applying others' experiences and concepts.

Moving down from the urban area to the neighbourhood scale, differential in- and out-migration is the key “proximate” driver of neighbourhood change. Although broader demographic, labour market, and housing market forces drive migration, significant neighbourhood change occurs precisely when people moving into a neighbourhood differ significantly from those moving out in terms of income, household type, ethno-racial group, or other characteristics. Differential migration as a driver of urban change, including income trends, is well documented (Jargowsky, 2002; Pomeroy, 2005). In the City of Toronto between 1986 and 1996, about one in six homes (more than 150,000)—including one in four rental homes—turned over each decade from established residents to new immigrants (Metropolitan Toronto, 1996; Toronto, 2000).

We should not conflate downward-moving neighbourhood profiles with downward individual household mobility. There is an “odd paradox: The downward trend for the place is the opposite indicator of the upward trend enjoyed by the residents themselves” (Myers 1999, pp. 924, 950). Profiles capture successive waves of disadvantaged people recently arrived, not the upwardly mobile trajectory of those who move out. The typical experience is mostly of upward mobility from the difficult years on first arriving, with rapid improvement in income and housing, including homeownership (e.g., Murdie and Teixeira, 2003; Musterd and de Vos, 2007).

3. Filtering and Production in the Rental Sector

Different places and periods vary greatly in the relative importance of filtering versus housing production in meeting growth in rental demand. This section first considers filtering in general terms, then filtering and production in Canada.

3.1 Filtering and Neighbourhood “Decline”

Central in neighbourhood change is the “filtering” of housing stock. This is one of the dynamics operating across the urban area that drive neighbourhood change. Neighbourhood change and “decline” in Canadian cities today and the emergence of more disadvantaged areas and more overall disparities can be understood in large part as accelerated filtering.

Filtering refers to shifts in quality, income levels, and prices or rents in a neighbourhood or market segment—although the term has been used in various ways (see Baer, 1998; Galster, 1996). This is one element of the constant adjustment of slowly changing housing stock to constantly shifting housing demand. Filtering normally refers to downward shifts, although gentrification could be called filtering up. Filtering does not necessarily mean a decline in price (Grigsby et al., 1987; Skaburskis, 2006); but in neighbourhood change, filtering in terms of income, status, and quality is pervasive.

Filtering may take various forms in the rental or homeowner sector. It may involve declining status and quality of housing, or changes in relative prices, or in residents’ incomes. Households may age in place, or there may be major population change through turnover and migration. Existing units may remain as they are, or be converted from homeowner to renter, or new units may be added in existing structures.

It is important to distinguish filtering as a phenomenon in the housing market from political claims that filtering is adequate as a supply strategy or an urban social model. Whereas the political claim can be easily challenged, the market phenomenon is a widely observed reality.

Filtering arises from four economic realities in housing production, maintenance, and demand (see Rothenberg et al., 1991). First, growth occurs across the income spectrum, but in a market-dominated housing system, most new supply is targeted to and affordable by the upper half only. Second, it takes more ongoing spending to keep housing at a high quality as it ages. Third, for most rental properties, profitability is more easily sustained by lowering costs rather

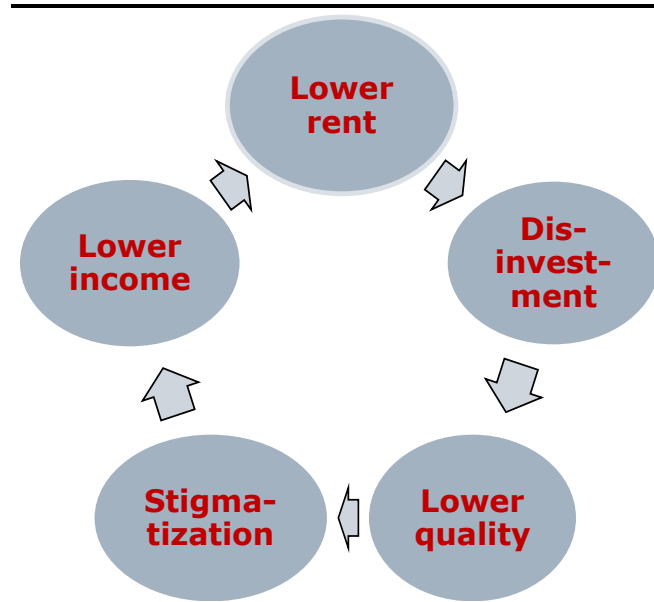
than by sustaining high-quality maintenance in the vain hope of higher rents. Finally, lower-income households have little power in the market, pay high shares of income on housing, and are therefore more willing than others to sacrifice quality to get lower prices.

One systemic consequence is that the lower-income segments of ongoing growth are accommodated mostly by change in occupancy of existing stock. Filtering is the main long-run market mechanism to supply housing at lower cost to lower-income households. The result is neighbourhood change in terms of income and housing quality in many older areas.

A central question in explaining neighbourhood “decline” is this: How does a housing system that is not building housing for low-income renters absorb the lower-income households added as part of ongoing growth? These households cannot possibly be accommodated in existing lower-priced, lower-status areas. Market segments that are less desirable to middle and upper-income buyers therefore adjust to meet added lower-income demand. Especially vulnerable today are neighbourhoods built in the postwar period, where the housing is often now lower in quality and status than that in newer suburbs. Most vulnerable is postwar rental housing, for which middle-income demand is increasingly absent. The decline of many postwar suburbs and most postwar rental stock, in terms of lower housing quality and more low-income households, is readily explained as filtering. Thus urban growth not only creates new suburbs and intensification, it also propels dynamic change even in neighbourhoods where the built form remains fairly stable.

A second systemic consequence is that problems of affordability, suitability (potential crowding), and adequacy (poor quality) are inherent in market responses to low-income demand, and inevitably more prevalent in neighbourhoods with large low-income populations. These standard dimensions of “Core Housing Need” (CMHC, 2013) are the direct result of the dynamics described. To afford rent in the market, a low-income tenant reduces non-housing consumption, settles for lower-quality housing, and/or reduces the amount of housing space consumed. Core Housing Need is a function of constrained choice and the mismatch of market rents to low-end incomes, and is highly correlated with low income. Low-income tenants also settle for poorer neighbourhood conditions and experience more residential instability (involuntary moves)—two dimensions not measured by Core Housing Need.

In market-dominated systems, spatial sorting and separation by income and social class is a predictable result of filtering. Filtering in quality or income or relative price usually occurs in spatially uneven ways, leading to spatial concentrations, for several reasons (Rothenberg et al., 1991). Stock of similar vintage and locational value tends to be in certain neighbourhoods or rings of the city. Status and stigmatization come into play. The declining status and value of a neighbourhood means that there is less payoff (in rent or long-run capital gain) from better maintaining a given property. The consequence of this spatial unevenness of filtering is spatial segregation of lower-income households. (See Figure 1.)

Figure 1: Filtering Dynamics in Lower-status Areas

The fact that demand is constantly shifting while housing stock (supply) is relatively permanent has major implications for neighbourhood change. Built form changes very little in most established neighbourhoods, while tenure and price change only gradually in most (not all) contexts. Although demand drives supply at the aggregate metropolitan level, at the neighbourhood level it is most helpful to see housing stock (supply) as driving demand. The price-tenure-structure mix of housing in a given neighbourhood changes only gradually, and occupies certain market segments in a diverse urban housing market. Those segments are, at a given time in a given city, more attractive to certain household types or income levels and less so to others. Therefore the type of stock in the neighbourhood, in relation to the rest of the housing system, has strong implications for that neighbourhood's social profile and trends.

Once these dynamics are set in motion by broad housing market forces, other factors may come into play, including ones within the neighbourhood. These may include obsolescence—when the housing is no longer at current standards of taste or facilities. For example, postwar bungalows are currently unfashionable, and postwar apartments have lower status than rental condos. The downward shift in income and housing quality in a neighbourhood may be echoed in lower status or even stigmatization, and this trend can reinforce the out-migration of more affluent residents. Status, or the demerits of a neighbourhood's particular housing stock, are not significant in themselves, however, but in how a given neighbourhood compares with other areas (Grigsby et al., 1987).

An increase in low-income households in a neighbourhood can arise from factors other than the ripple effects of ongoing growth. It can also arise from relative increases in the presence of poor households in the urban area due to broad labour market and income change or from the in-migration of large numbers of poor households (see McConville and Ong, 2003; Strait, 2006). It appears likely that these factors are among the causes of recent change in poor areas of Canadian cities. There is a much larger low-income population in precarious labour market

situations than existed a generation ago. Postwar suburbs in Toronto or Vancouver, or Winnipeg's North End, have seen large in-migration of people who (whether high-skilled or low-skilled) have lower incomes.

To understand rising numbers of households living in poverty in low-income areas, it is therefore essential not only to document changes within such subareas, but also to analyse how the CMA-wide increase in low-income households has distributed itself across urban space, and the relation of such spatial patterns to housing characteristics by subarea.

The composition and volume of new housing in an urban area has profound implications for housing trends in disadvantaged neighbourhoods, in three main ways. First, it affects how much net out-migration of affluent households occurs from older areas to newer ones (see Grigsby et al., 1987). Second, when new development takes place in an older area, it may attract middle- and upper-income residents who may balance the filtering and income decline trends; but if not, filtering and income decline may dominate. Finally, new development may directly absorb demand from lower-income households—or not.

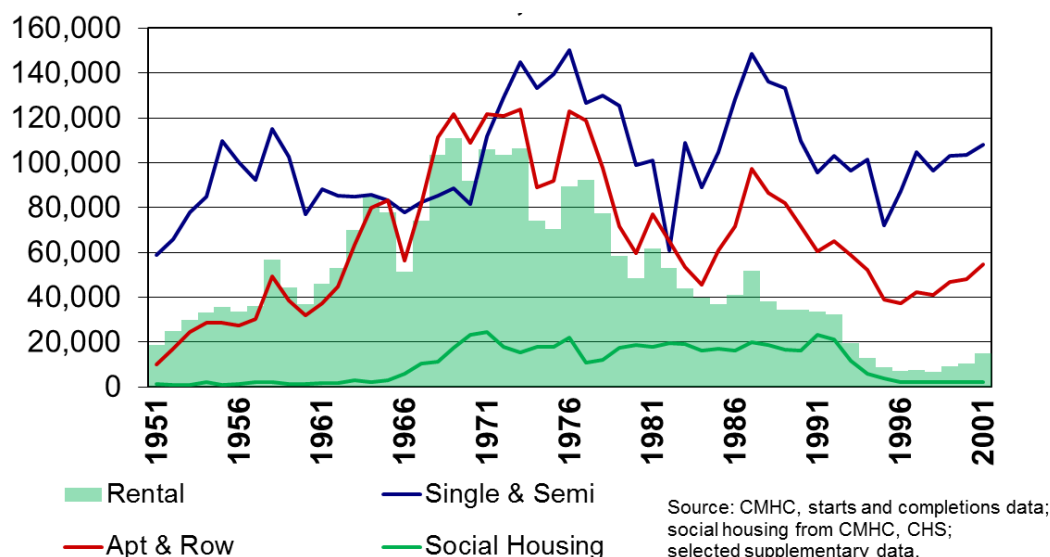
Social housing production at scale will affect market trends and quality in lower-income areas. By supplying middle-quality housing to lower-income households, social housing absorbs a segment of demand otherwise met by supply in lower-quality market segments: it is a substitute good that competes with down-market rental (Rothenberg et al., 1991, pp. 323ff; also Haffner et al., 2009, pp. 24-25). Where social housing production is small, this effect makes little difference to market dynamics or trends. But where social housing production is significant, the result will be less quality down-filtering as a market response to low-income demand. The second impact is less direct: subsidized rental production will tend to induce market-rental suppliers, who compete with subsidized suppliers, to better maintain their housing, rather than letting its quality decline. If social housing production continues at significant volumes, the overall result in the housing system should be less low-quality rental stock and more middle-quality stock (see also Skaburskis and Mok, 2000).

3.2 Rental Production and Filtering in Canada

The recent emergence of more spatial disparities and disadvantaged neighbourhoods in Canada arises partly from a shift from a postwar production regime with mixed tenure and a wide range of prices, to one very skewed to homeownership and to the upper-income half of society. This is also the story of a shift from production to filtering as the main way to meet lower-income rental demand.

A remarkable feature of postwar Canada is that a large share of low- and moderate-income demand was met in newly built rental housing. From 1955 to 1980, purpose-built private rental apartments (and some townhouses) constituted 33 percent of total housing production. During the 1960s, half of production was rental (Figure 2). Far less of postwar rental demand was met by filtering in Canada than in the United States. Canadian rental housing in the 1960s accommodated a spectrum of households, from high to low income, its distribution by quintile almost mirroring Canadian society.

Figure 2: Annual Housing Production in Canada, 1951–2001



It is mistaken to suppose that the postwar rental stock is a “landscape of MURBs”—a product of 1970s tax incentives.⁴ It rested on a distinctive demand context, supply system, and policy regime. Rental demand was large because of Canada’s high immigration and rapid urbanization, and a strong shift to living in small households. In postwar Canada, 42 percent of added households were renters; this figure peaked at 57 percent in the 1960s. On the supply side, rental production was integrated into the business model of large development firms (this was not the case in the United States or Australia). On the policy side, Canada gave weaker tax and program support to homeownership than the United States and Australia, and fostered rental through tax policy, mortgage insurance, and some direct developer financing (see summary in Suttor, 2009, drawing on Fallis, Miron, and others). Canadian rental production per capita was thus far higher than in the United States or Australia. Although this private rental production regime crashed in the 1970s, federal housing policy extended high rental production well into the 1980s through assisted private rental and social housing (Section 6).

And yet the Canadian story of the postwar rise and peak of rental production, and its subsequent decline, is paralleled in many affluent Western nations, including our closest historical and cultural peers, the United States, Australia, Great Britain, and France (Suttor, 2009). Extensive recent research in those nations on housing systems in relation to urban social and spatial change offers much that Canadians can learn from.

Since the 1980s in Canada, the production regime has fundamentally changed. Rental production has declined to very low levels. Most multi-unit production is now mostly in the form of condominiums. The latter shows on Figure 2 as the large gap from the mid-1980s onwards between the red line (all multi-unit production) and the green area (rental production). Although

⁴ See section 6.2 on MURBs and other tax incentives of the 1970s.

about 20 to 35 percent of condo apartments in major centres are rented,⁵ they are primarily built for owner-occupancy.

Today almost all production is priced for the upper-middle- and upper-income quintiles (above \$71,000 annual income in 2011).⁶ Added demand in the middle and lower-middle groups (\$26,000–\$71,000) is met mostly by ownership acquired earlier in the lifecycle, market rental, and (above median income) affordable resale homes. Growth in the lowest quintile (under \$26,000) is met by existing rental units shifting from occupancy by middle-income renters as they move out. The latter form of filtering, within the rental sector, has distinctive and pronounced spatial patterns in most urban regions.

Figure 3: Rental Production and Net Change, Canada, 1961–2011

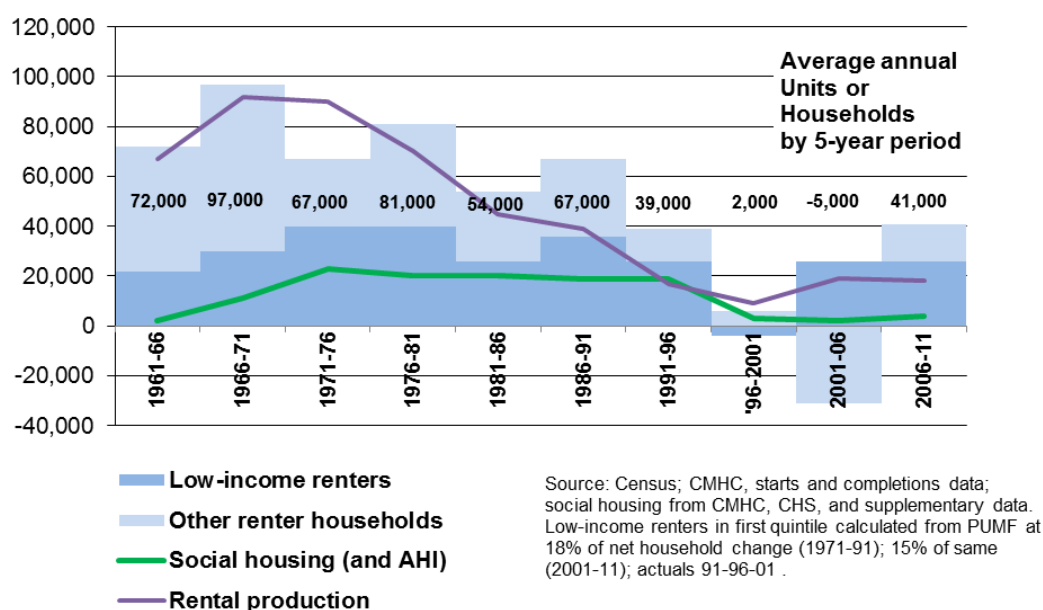


Figure 3 presents production data along with estimates of net change in the rental sector for Canada over the past half-century. The underlying data are found in Table 5 on page 43 of this paper. As rental production declined in the latter 20th century, so did net the net increase in renters.⁷ But production declined much more than net demand. In the 1960s and 1970s, rental production virtually equalled net renter demand, at 1.6 million units or households over the two decades;⁸ production constituted more than 80 percent of net demand in all subperiods until 1986. Since that date, the overall ratio of rental production to net rental demand has been 70 percent. But the latter figure is skewed by the extraordinary 1996–2006 period, when home-

5 See Medow & Suttor (2013), pp. 27–31, on Ontario cities; CitySpaces Consulting (2009) on Vancouver.

6 Quintile data from CANSIM 202-0405.

7 These are related in that lower net increase, especially when skewed to low incomes, will induce much less supply through market production. But lower production will not reduce net increase in renter households under normal conditions: filtering and tenure conversion meet the added demand.

8 The effect of vacancies is not considered here, as the concern is with general magnitudes. Rental vacancies were generally less than 3 percent through the period, i.e., less than the error in census data.

ownership rates surged and the number of renters fell. Netting out the 1996–2006 period, the prevailing ratio of rental production to net rental demand has been 43 to 59 percent since the mid-1980s, that is, about half.

Filtering has therefore been accommodating a higher share recently of the net increment of renters in general. Low-income renters are a large part of this story. Greater reliance on filtering is closely tied to declining rental production, the escalating share of net rental demand that had low incomes in the 1980s onward, and the virtual end of income-targeted social housing production in the 1990s. Trends vary by city, but most will show a version of this national picture, given the nation-wide nature of social housing and of market-rental production trends.

In recent years, one of the most prominent forms of filtering in Canada has been changes in the incomes of tenants in postwar rental apartment buildings, and in the quality and status of this housing stock. This is one element of rental residualization, discussed next.

4. Rental Residualization

The European concept of “residualization” is essential for understanding the post-1970s evolution of the Canadian rental sector and its implications for the geography of poverty. Residualization of rental means that the rental sector is no longer mainstream, and now houses lower-income parts of society. It means that this sector has low policy priority, low levels of investment, and lower quality and is increasingly stigmatized and associated with neighbourhoods of poverty.

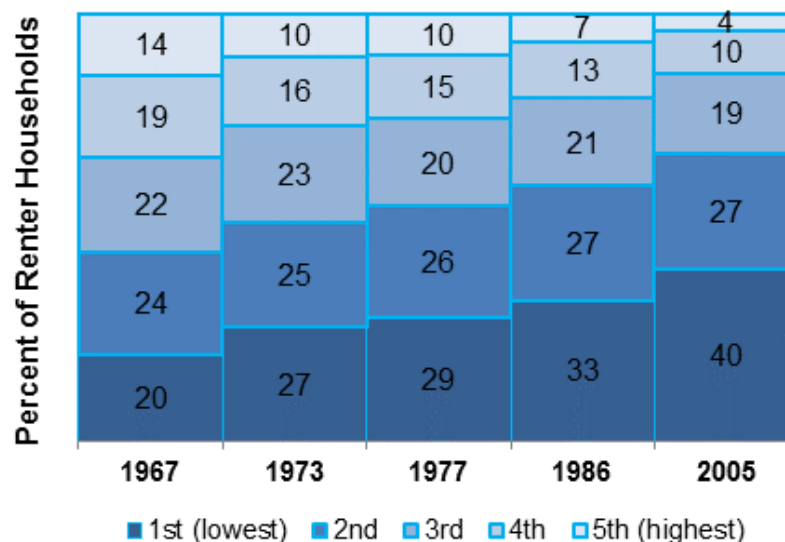
Residualization is a dominant theme in analyses of European social housing since the 1970s. Social housing was a large share of postwar production there, and was built for the broad middle and working class (while the poor were still in down-market private rental, except in the United Kingdom). This situation changed from the 1970s onwards, as wages declined for those in the bottom third of the income spectrum, low-rent market stock was lost to gentrification, and net growth in households shifted strongly into homeownership (Blanc and Bertrand, 1996; Harloe, 1995; Wollmann, 1985). Across Europe, the share of tenants in the lowest quintile rose from about 20 percent to 30 percent or higher, so did the share in the lower-middle quintile (see MacLennan and Pryce, 1996; Wilmott and Murie, 1998; summary in Suttor, 2009). While the affluent came to have better housing options, the poor now had few options outside social housing. This made social housing neighbourhoods (estates) the locales of the new urban poor in the era of wider income disparities, reduced income security, and the racialization of poverty (Lupton et al., 2009; MacLennan and Pryce 1996; Murdie and Borgegård, 1998).

Residualization in the European social rental sector has been paralleled closely in Canada since the 1970s, but with reference to the overall Canadian rental sector, not just social housing. Five main changes that MacLennan and Pryce (1996) described in British social housing apply strongly to Canadian rental: relative shrinkage of the sector; residualization in spatial and income terms; lower renter incomes as homeownership expands down the income scale; unemployment affecting those in rental housing most; and poor maintenance and distressed housing. The decline in Canadian renter income profiles overall is similar to that for residents of European social housing (Figure 4; see also Suttor, 2009).

To put this another way, at mid-20th century there was almost no correlation between income and housing tenure in Canada, but since then we see an increasing correlation between lower income and rental tenure. In Canada and in Europe, renters are increasingly either small households with small incomes (low-income singles, single parents, and the elderly), or larger

newly arrived immigrant households with precarious work. A similar shift also occurred in the U.S. rental sector—but earlier, in the postwar years (Turk, 2004).

Figure 4: Tenant Households by Income Quintile, Canada



Since 1981, low-income renters are consistently a large part of the net increase in renters: about three-quarters overall (see Figure 3 in the previous section and underlying data in Table 5 on page 43 of this paper). The extraordinary exception is 1996–2001, when the number of low-income renters fell as this population reduced its housing consumption and household formation in the wake of the great 1990s shifts in the labour market, social transfers, and social housing.⁹ Net increases in low-income renters do not generate effective demand for new production in the market, and this is one major reason for less private rental production.

During the 1965–1995 social housing prime period, income-targeted (rented-geared-to-income or RGI) units are estimated to have equalled slightly less than half of the net increase in first-quintile renters—varying from one-third to slightly over one-half in each subperiod.¹⁰ This meant that much less net rental demand was met through filtering. After 1996, the income data on AHI and other quasi-targeted programs is very poor, but in broad terms the low-income segment of social-and-affordable rental production is about 5 percent of net low-income renter demand (Table 5 on page 43).

Residualization of the rental sector in Canada also extends to policy priority and market investment. There is a contrast between the 1970s and 1980s policy discourse about whether enough rental apartments were being built to meet overall growth and the needs of young

⁹ See Medow & Suttor (2013, pp. 46–48 and appendix 6, on decline in numbers of lower-income renters in the later 1990s; see also Miron (1998) on declining housing consumption of renters.

¹⁰ The data in Table 5 imply that low-income-targeted social housing production was 44 percent of net low-income renter demand for 1966–1996 overall. This is an estimate only; “slightly under half” is a less precise but more accurate characterization. Not all net increase in RGI tenants was in the first quintile, but a very large majority was: see data for Toronto in Suttor (2014).

baby-boomer and low-income households, and the weak political attention to such advocacy today. The steady funding for new social housing in that era contrasts with much lower levels of funded new affordable rental today. The postwar corporate investment in rental contrasts with today's reliance on one-off investor-speculators seeking capital gain on condos, who rent them out in the interim.

Another consequence of the postwar production regime was good rental housing quality. Lower-middle and even lower-income renters lived in housing of middle-to-good quality because the buildings were new. The situation is quite different today. Most renters still live in that same postwar rental stock, but most buildings are 40 to 60 years old (except in Montréal, where the prewar rental stock is similarly large). The cost of maintaining an older rental building at a high standard makes economic sense to an investor if there is a payoff in higher rents. Much of the postwar rental stock remains in fair to good condition, and has received considerable recent investment in capital repairs. But given the increasingly low-income profile of Canadian renters, there is little revenue payoff to maintaining many segments of the rental stock in good repair, or investing in various postwar rental neighbourhoods of Canadian cities.

5. Spatial Consequences: Socio-tenure Segregation

Socio-tenurial segregation refers to the differentiation of social class and income by housing tenure, and how this process shapes separation in urban space (Hamnett, 1987; 1996; Murie and Musterd, 1996).

The locale of filtering and urban “decline” has shifted in a parallel way in Western Europe, the United States, Canada, and Australia. Much classic U.S. filtering literature evokes the single dwellings or two-to-four-unit buildings that (except in New York and San Francisco) dominate U.S. central-city rental stock. Today, filtering no longer occurs in the gentrifying central city, but in the postwar suburbs (Dreier, Mollenkopf, and Swanstrom, 2001; Lucy and Phillips, 2000; Madden, 2003; Randolph and Holloway, 2005). In Canadian cities today, the stock affected by filtering is above all rental apartment buildings in central cities and postwar areas, and older bungalows in postwar areas. But the causal dynamic is the same: a supply response to shifting demand, concentrated in lower-status segments of the housing market and of urban space.

Canada has shifted in the past four decades from somewhat low to somewhat high socio-tenure segregation. Canada’s postwar housing regime had only modest levels of socio-tenure segregation, achieved by market rental production. Rental was not a particularly low-income sector, and rental properties were not spatially separated from other production. Today, net rental supply is dominated by filtering and tenure conversion; rental is a lower-income sector than before; and rental housing has a distinct spatial geography—it is mainly found in the pre-war central city and the postwar suburbs. Those areas comprise less than half the urban area in most cases, and the spatial concentration of rental housing contrasts to the dominant role of homeownership tenure in post-1970s suburbs.

The postwar rental production regime, integral in urban development, fostered spatial mix of incomes. Less reliance on filtering meant that the lower-income segment of rapid growth was not inevitably accommodated in older, down-market areas. In many larger cities, postwar private rental buildings were sprinkled across the prewar central city and the postwar suburbs. This was particularly the case in Toronto, but it is also evident in Montréal, Vancouver, Ottawa, and other cities. In Toronto, rental apartments and townhouses accounted for 40 percent or more of dwellings in postwar suburbs by the 1970s (Suttor, 2007). A map of social housing in Toronto,

Montréal, or Vancouver shows a geography similar to that of postwar private rental, with some concentration downtown, but much dispersion across postwar areas.

The post-1970s production regime and resulting urban development patterns were very different. This is well documented for Toronto (Figure 5; Suttor, 2007). In the outer suburbs, the housing stock in areas built in the 1980s was about 20 percent rental apartment buildings and townhouses, half the level postwar areas had at a similar “age”; this had declined to about 15 percent by 2001 as the homeownership sector expanded. In areas built in the 1990s, only 10 percent of the stock was rental apartment buildings and townhouses, and this proportion likewise declined over time.

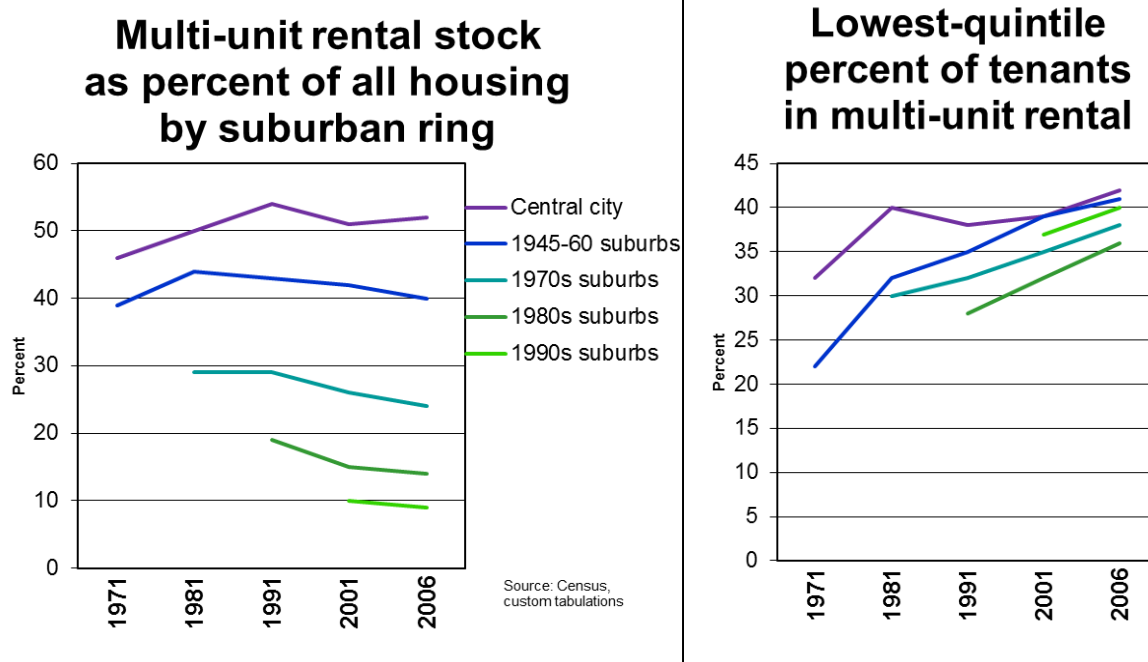
In effect, as the homeownership sector expanded constantly outwards in urban space, the rental sector moved socially downward in its existing postwar locations. “In 1981 a tenant was only 15 percent more likely than a home-owner to live in a postwar suburb; by 2001 about 50 percent more likely” (Suttor, 2007, p. 50). This difference between older and newer suburbs is not the result of suburbs diversifying as they age, with more rental over time. It is the result of a different stock-and-tenure mix, enduring over time.

While patterns vary from one urban area to another, the shared nationwide housing history means that some version of this pattern is probably found in most large Canadian cities. Tables 2 and 3 show the share of dwellings by period of development—in effect by ring of urban growth—that consist of apartment buildings, and the proportion that are rented, in the six CMAs discussed earlier. Renting and apartment buildings are most prevalent in pre-1945 areas, as expected. But more significant is the great difference between the postwar suburbs (census tracts where housing was typically built between 1945 and 1979) and areas built after 1975. There is a far higher prevalence of apartment buildings and of rental in the postwar areas than there is in later areas; in some cities the prevalence is higher in the 1960s suburbs than in pre-war areas. The decline in income and quality of rental housing are accordingly experienced most sharply in postwar areas of Canadian cities.

Given constrained choice, the geography of moderate-rent housing explains much of why lower-income immigrants move to rental housing in less “desirable” neighbourhoods in the postwar suburbs. Most turnover in moderate-rent housing (and therefore most units available for rent) is in these areas, especially among larger, family-sized units. This postwar spatial legacy determines the strong pull of lower-income renters to such areas, even before discrimination, information networks, or group affinities are considered (see statistics for Toronto in Suttor, 2007, p. 44).

In sum, in the postwar era the rental apartment sector was a vehicle of spatial income mix, spread widely across the central city and the suburbs of that day. In today’s neoliberal era, it is a venue of spatial income polarization, located in certain age-rings of urban development and in rental neighbourhoods, undergoing income, quality, and status decline over time.

Figure 5: Multi-Unit Rental by Urban Ring, Toronto



Source: Suttor (2007) from custom census data, updated to 2006.

Table 2: Dwellings in Apartment Buildings as a Percentage of Total by Area's Main Period of Development

6 CMAs in 2006	Pre-1945 CTs (%)	1945-60 CTs (%)	1960s CTs (%)	1970s CTs (%)	1980s CTs (%)	1990s CTs (%)	2001-06 CTs (%)
Toronto	47	33	48	38	24	13	20
Montréal	79	56	52	38	34	20	19
Vancouver	35	19	48	34	30	34	14
Calgary	41	25	21	23	5	7	18
Winnipeg	32	19	31	25	21	3	8
Halifax	42	39	58	30	15	11	46
Unweighted average	46	32	43	31	22	15	21

Data are units in low-rise and high-rise apartments (buildings of less than 5 storeys, or of 5 or more storeys). Percentages shown are average unweighted values for the CTs in each period.

Source: Statistics Canada, 2006 census profiles (microdata). Note, Halifax has just 4 1960s CTs, 5 post-2000 CTs.

Table 3: Rented Dwellings as Percent of Total by Area's Main Period of Development

6 CMAs in 2006	Pre-1945 CTs (%)	1945–60 CTs (%)	1960s CTs (%)	1970s CTs (%)	1980s CTs (%)	1990s CTs (%)	2001–06 CTs (%)
Toronto	42	36	48	30	20	13	15
Montréal	70	58	49	35	28	18	15
Vancouver	42	31	46	32	29	26	15
Calgary	44	40	33	31	13	9	13
Winnipeg	44	31	33	28	18	4	9
Halifax	51	48	68	34	19	14	40
Unweighted average	49	41	46	32	21	14	18

Percentages shown are average unweighted values for the CTs in each period.

Source: Statistics Canada, 2006 census profiles (microdata). Note: Halifax has just 4 1960s CTs, 5 post-2000 CTs.

6. Rental Subsectors: Production, Filtering, and Urban Space

Rental housing in Canada includes several subsectors, notably privately owned apartment buildings, rented houses, rented condominiums, social housing, second suites, and rented rooms. Each subsector differs in its pattern of ownership, rent levels, filtering dynamics, location within an urban area, and how units are created. The dominant subsector in Canada consists of private rental apartment buildings, accounting for about half of all rental units. The discussion of rental in sections 3 to 5 is necessarily about that sector above all. This section considers three other rental subsectors: social housing, assisted private rental, and rented houses.

6.1 Social Housing

Social housing is commonly thought to play a large role in the housing and spatial patterns of low-income households in Canadian cities—but is this true? This sector comprises about 5 percent of Canadian housing stock and 20 percent of rental—these proportions vary moderately by city. How important is social housing relative to market rental and other sectors in shaping the geography of poverty?

The literature points to four general observations about the impact of social housing on the map of poverty. First, there are big differences between larger and smaller social housing systems, and between expanding or plateaued systems. Second, while lower-rent supply in the market tends to be spatially concentrated, concentration in social housing depends on the particular program delivery regime. Third, in Canada’s 25-to-30-year social housing heyday, the “locating” of low-income households in urban space was about half the result of market forces and half the location of social housing. Fourth, the perspectives in sections 3, 4 and 5 point to the need to examine spatial mix not only at the fine-grained neighbourhood scale, but on a coarser grid of urban growth rings and districts of different vintage. Let us consider each of these in turn.

There are big differences between larger and smaller social housing systems, and between expanding and plateaued ones. Evidence points to mix as a consequence of large social housing systems in their growth era. European social housing in the postwar era had a broad income mix, similar to the Canadian rental sector overall in that era (Suttor, 2009). In North America, the two cases in which social housing reaches about 10 percent of stock in the inner half of the

urban region are New York City and the City of Toronto. The projects in both these cities are far more dispersed than either the large down-market private rental sector or the public housing pockets in most North American cities (on New York see DeFilippis and Wyly, 2008; on Toronto see Suttor, 2007, chapter 7). The spatial income and ethnic mix in Amsterdam, with its large social housing sector, contrasts with Brussels and its small one; retrenchment in the former case has led to less mix (Kesteloot, 1998; Korthals Altes, 2007; Van der Vlist and Rietveld, 2007). Paris or London of the 1920s to 1960s, with widely spread and income-mixed large and small estates, contrasts with the deepening concentrations of poverty today, as the lower-income segment of growth is absorbed in those estates and the upper-income segment in affluent urban enclaves or commuterland (see Suttor, 2014, drawing on Chemetov et al., 1989; Hamnett, 1987; Morrison and Monk, 2006; Panerai, 2008; White, 2001).

During Toronto's 1960s and 1970s social housing expansion, not only low-income but also lower-middle-income households lived in social housing (Suttor, 2014). Today, RGI social housing is a plateaued sector – essentially stable in numbers of households while the housing system around it grows steadily. It is therefore inherently a much more rationed benefit in a rapidly growing housing system. It is also targeted to high-need groups such as victims of domestic violence and homeless people. Thus on one hand, because social housing is a smaller part of the housing system, it has become less significant in the “locating” of poverty. On the other hand, because its tenants are more extremely low-income, social housing is more likely to be the location of extremes of poverty and associated social issues (see United Way, 2011). Given the parallel nationwide production history in the 1970s and 1980s, it is likely that some version of this applies in most large Canadian cities.

Whether social housing is spatially concentrated depends on the particular program delivery regime. U.S. public housing is mostly in poor older neighbourhoods because most of it was slum redevelopment—because of dominant ideas about slums and blight, a federal one-for-one replacement rule, and U.S. federal reliance on implementation by interested municipalities, which were usually central cities and not suburban communities. Australian public housing is more concentrated on peripheral large estates than is the case in Canada, because worker housing on cheap land was the state housing authorities' main development strategy. In the U.K., Netherlands, France, and Scandinavia, social housing constitutes more than 15 percent of the housing stock and so the location of lower-income renters is determined by the geography of interwar and postwar social housing estates—more distinct and specific than the spatial patterns of the larger market (see Lupton et al., 2009; Murie, 2005).

The general spatial pattern in urban Canada appears to be an ample spread of social housing across the central city and postwar suburbs, with moderate concentrations downtown, and very little social housing in the post-1980 suburbs. This pattern is best documented in Toronto (Suttor, 2014, Chapter 7), and in Montréal (CMM, 2013). For other cities, one can refer to online maps, but there is little or no systematic research.¹¹

11 For example, see BC Housing at http://www.bchousing.org/Options/Subsidized_Housing/Listings; Metro Vancouver Housing Corp. at <http://www.metrovancouver.org/SERVICES/HOUSING/Pages/default.aspx>.

The prime period of Canadian social housing production lasted 25 to 30 years: 1968–1993 in most provinces and 1965–1995 in Ontario, with very low levels before and afterwards. Social housing was 8.2 percent of total housing production nationwide from 1965 to 1995, 10 percent of net change in stock,¹² and 27 percent of growth in the rental sector. Social housing in its heyday accommodated about half the low-income renter segment of overall growth (see Figure 3 and Table 5). This follows from the fact that 15 to 18 percent of households and of urban growth in that period were low-income renters, social housing was 10 percent of net change, and social housing was about three-quarters low-income targeted overall. This finding that social housing accommodated about half the low-income renter segment of growth is also documented in detail for Toronto (see Suttor, 2014, Chapter 7).

In that 1965–1995 prime period of social housing, the evolving spatial patterns of low income in Canadian cities were about half a product of market forces and half of social housing development. In other words, social housing accounted for half the change in urban Canada's geography of poverty in that period. This inference follows directly from the fact that social housing met about half of net low income demand. This is not to “blame” social housing for neighbourhoods of poverty, because poverty concentrations are typically more severe in a market-driven system.

Spatial concentration and mix must be examined both at fine-grained and at coarser scales. Canadian literature on social mix in regard to social housing is almost entirely about the fine-grained mix: within the neighbourhood or within the social housing project (see, for example, Dansereau, Germain, and Eveillard, 1997; Germain, Rose, and Twigge-Molecey, 2010). At this fine-grained scale, all large social housing projects tend to constitute concentrations of poverty. But in market-dominated systems, social housing is a minor factor in the overall map of poverty. For example, the City of Chicago's 24,000 public housing units equate to only 15 percent of its rental households with incomes under \$20,000, and to 10 percent of such households in the metropolitan housing market (SMSA).¹³ The minor role played by social housing is even more evident in most large U.S. cities (see Freeman, 2003; Freeman and Botein, 2002; Galster, 1995; Suttor, 2014, p. 52), with the notable exception of New York.

At the coarser geographic scale, the question is whether social housing is concentrated in certain parts of the city-region; if so, it may contribute to poverty concentrations. For example, an average Toronto social housing building contains only 113 units (83 of them RGI) and integrates well in neighbourhoods. Yet social housing accounted for half of Toronto's added low-income renters in 1971–1996 and “located” them in particular places. Because there is some concentration of these projects in down-market parts of postwar suburbia, social housing accounted for a large part of the rising low-income presence in those areas in that era (Suttor, 2014, pp. 234, 260, 287).

The absence of social housing production at significant scale since the mid-1990s has probably reinforced the extent to which net additions of low-income renters are housed in down-market

12 The difference between the percentage of production and that of net change arises from social housing acquisition projects and private rental demolition or conversion to ownership.

13 The 2009 public housing data is from Schwartz (2010), p. 153; reduced from 39,800 in 1997. Renters below \$20,000 per American Housing Survey for Chicago (1995): table 4-12, central city = “Area 1.”

inner-suburban locales. For one thing, the lower price-quality segments of market rental have more net low-income demand to absorb, given the lack of new social housing; for another, those segments are more concentrated in postwar areas than new social housing was. In Toronto, a significant share of social housing was added in the central city, where it fully offset net losses of low-income renters through gentrification until 1995; another significant share was in the outer suburbs (Suttor, 2014, chapter 7). Given the income decline in postwar rental neighbourhoods on one hand, and the mid- to up-market skew of market production in outer suburbs on the other, it is unlikely that outer suburbs are absorbing as significant a share of net low-income renter demand as they did when social housing was being built.

Historically, today, and in the long run, market forces dominate the geography of low income in urban Canada (see also Harris, 1999). To take the example of Greater Toronto, in 1971, half-way through the peak years of public housing production, only 15 percent of lowest-quintile renters lived in RGI social housing. By 1996 it was 37 percent, leaving the majority still housed in market housing. Even in the heyday of social housing, half of the net lowest-quintile growth was in market housing. Today, as social housing shrinks as a share of an expanding housing system, and constitutes a tiny share of net growth, there is less to interrupt the spatial and quality logic of “the down-market.”

The market dominates net change today, and will continue to do so in future. The decennial increase of up to 80,000 to 120,000 low-income renter households in six of Canada’s largest cities was noted earlier; these centres comprise almost half of the national population. By comparison, new supply via the federal-provincial Affordable Housing Initiative (AHI)¹⁴ and related programs funded fewer than 40,000 units in the decade 2003–2012, about two-thirds of it in these six cities, with about three-quarters of AHI units occupied by low-income tenants. On this basis, AHI probably absorbed between one-sixth and one-quarter of the increment in low-income renters in that period, with a large majority accommodated in the market. Most of the latter was necessarily by filtering in down-market areas.

In the next two decades, given that low-income renters comprise 10 to 15 percent of urban Canada’s growth in households, the growth in this market segment in the fastest-growing cities will be about as large as today’s RGI social housing stock. The social housing era that created that stock and its more dispersed geography can be seen as a one-generation detour from the spatial-quality logic of filtering portrayed in Figure 1. Barring major political change, most of the low-income renter segment of future urban growth will be housed in down-market rental. This will propel enormous neighbourhood change and almost certainly increase the poverty concentrations in Canada’s cities.

6.2 Assisted Private Rental

Assisted private rental production was significant in the 1970s in Canada. It loomed large in policy debates of that era, it pops up in characterizations of postwar apartment buildings as a

14 See Pomeroy and Falvo (2013) for the context of AHI. See HDR/Decision Economics (2009), p. 35, on the income profile of AHI tenants: 66 percent below CNIT in the 2002 round and 81 percent in the 2003 round. AHI mostly housed low-income tenants even though rents were mostly not RGI.

“landscape of MURBs,” and in some research (e.g. Murdie, 1992), it was treated it a sort of quasi-social housing.

Is Canada’s assisted private rental sector distinct from the overall postwar private rental apartment sector in terms of its production history, income profile or trends, or its place in urban space? In some nations this was the case: for example, in postwar Germany, assisted private rental housing was a large distinctive sector (Jaedicke and Wollmann, 1990); in the United States it remains a distinct, regulated, income-targeted sector (Schwartz, 2010, chapter 7).

Assisted private rental was a moderate share of postwar Canadian rental production, large only in 1975–1985, the closing years of a three-decade production regime. It was an effort to sustain the postwar production regime as investment conditions crashed in the 1970s. Very few apartments built in the peak years of private rental production from the mid-1950s to mid-1970s were publicly assisted, although they benefited from a favourable tax regime.¹⁵

Assisted private rental units fell into three categories. First was the private Limited Dividend program: a brief 17,000-unit stimulus in the sharp recession of 1957–1959, and a more significant 66,000 units in 1968–1975. Second were grants and forgivable loans in 1975–1984, which produced slightly more than 150,000 units.¹⁶ Third was the MURB (Multi-Unit Residential Building) tax incentive in 1974–79 and 1981, which created about 344,000 units, of which many also received grants and loans.¹⁷ Of 622,000 private rental starts in 1968–75, Limited Dividend (LD) constituted 11 percent. Of 407,000 private rental starts in 1974–79 and 1981, MURB was 85 percent, ARP and CRSP a mostly overlapping 36 percent. MURB and LD accounted for 25 percent of the private rental units built in the three decades 1956–1986, the prime years of private-rental production.

How much did assisted private rental “locate” low-income renters in particular parts of urban space? These programs were not targeted to low income, although LD rules excluded above-average-income households at the point of initial leasing to any given tenant, and ARP and CRSP buildings included some rent supplements. The low-income share of tenants is unknown, but the likely magnitude can be estimated. If at the outset about one-half of the 83,000 LD tenants were low-income,¹⁸ and one-quarter to one-half of the 350,000 or so in MURB, ARP, and CRSP buildings,¹⁹ then this was between one-eighth and one-fifth of the estimated one million net added low-income renters in Canada between 1956 and 1986.²⁰ In the absence

15 The favourable tax regime did not “create” the rental production in the absence of other factors, any more than U.S. mortgage interest deductibility or CMHC financing “created” postwar suburbia in the absence of other factors.

16 ARP (Assisted Rental Program, 1974–79 and 1981, 123,000 units); CRSP (Canada Rental Supply Program, 1981–84, 24,000 units); and some smaller federal and provincial programs.

17 See summary in Suttor (2009), pp. 30, 40.

18 Murdie (1992, p. 43) shows LD incomes by 1986 at about 60% of CMA median. This is similar to tenants in general at the time.

19 In the prime 1976–1981 period, the data in Table 5 imply that about one-third of the net increase in private rental was low-income renters. New private-rental production in that period had a notably higher rent profile than rental apartments at large, which implies fewer low-income tenants in new assisted private rental.

20 Between 1956 (interpolating 1951 and 1961) and 1986, there were 2.1 million net added renter households, of which close to half were low income; 1.0 million added lowest-quintile households, a large majority being renters; 1.7 million private rental units, and 0.35 million social housing units built.

of specific research on the locations,²¹ they appear to be similar to 1960s and 1970s apartment rental production in general.

Thus assisted private rental accounted for one-quarter of private rental units built in Canada in the three decades during which such programs existed, and a smaller share of the net added low-income renters in that period. The soft income targeting in 80,000 LD units and a few thousand rent supplement units in other such programs are less important than the later trajectory of the postwar rental apartment stock of 1.7 million units, of which assisted private rental is a part. LD disappeared as a distinct sector in the 1990s.²² In these terms, ARP, CRSP, and MURB buildings appear to have dissolved into the broader unassisted postwar rental sector.

In sum, the sector had distinctive elements at the outset, but probably not today or in the long run. Assisted private rental was distinctive in its timing of production. In the 1970s and 1980s rents and incomes were lower in one segment of assisted private rental (Limited Dividend) than in private rental apartments overall, because of its soft income targeting, but probably higher in other assisted private rental because it was newer and higher-priced. Disrepair issues are more common in older buildings, and postwar rental in general is about a decade older than assisted private rental. But assisted private rental appears little different today from the broader postwar private-rental apartment sector in terms of locations, income profile and trends, or the general trajectory of rental in the housing system.

The significance of assisted private rental in Canada was twofold. It prolonged the nation's postwar rental production regime for almost a decade starting in the mid-1970s, and thereby delayed the shift to filtering as the dominant way to meet net rental demand. And it sustained this nation's distinctive mixed-tenure—and thereby strongly mixed-income—suburban development model through the 1970s.

6.3 Rented Houses

The main new supply of rental units in liberal-welfare regimes in the automobile era, outside the anomaly of postwar Canada, is the conversion of houses from ownership to rental tenure. This conversion may involve the renting of whole houses—a significant part of the rental sector in all cities—as well as the creation of new units, such as basement apartments or other flats within existing houses. This form of housing is likely to be an increasing part of Canada's rental supply and renter geographies in future.

Renting of houses dominates the rental sector in the United States and Australia, and increasingly in Western Canada. “Detached houses account for one-quarter of U.S. rental units, and properties of up to 4 units another quarter—even in big cities and in central cities. Only 8 percent of U.S. rental is in buildings of 50 or more units, and only half of that is outside central cities” (Suttor, 2009, p. 17, American Housing Survey data). In Australia, 56 percent of renters in

21 Murdie (1992) is an exception in regard to private LD buildings in Toronto.

22 There were 19,900 private LD units in today's City of Toronto (Murdie cites 15,500). “Unit counts dropped rapidly in the 1990s as CMHC rules and declining interest rates enabled owners to buy out of their contractual obligations to CMHC, and some agreements expired. By 1998 there were 6,100 fewer LD units... [and by] 2001 there were only 2,952 private LD units.” Suttor (2014), p. 87.

New South Wales live in houses (singles, semis, or rowhouses) and 47 percent do so even in Greater Sydney, where apartments are most prevalent (ABS, 2005). In Western Canada, the postwar apartment boom was smaller (except in Vancouver) and growth has surged in the years since private and social rental production ended. Low-density stock (singles, semis, rowhouses, and duplexes) accordingly accounts for 46 percent of rental units in Calgary and 34 percent in Vancouver, compared with 19 percent in Toronto and 16 percent in Montréal—with Winnipeg in between at 24 percent.²³ These are probably underestimates of renting in low-density stock, because second suites are poorly captured in census data.

Additions to apartment rental supply today are mostly rented condos, but this supply falls far short of long-run net rental demand. To take the Toronto case, net supply of condo rental was 4,600 annually²⁴ in the 2007–2012 years of the condo boom, whereas long-run net rental demand is about double that level (about 30 percent of 30,000 net added households annually). More than half of net rental demand is likely to be among lower-income households, who cannot afford condo rents (and prefer homes divided into rooms).

This analysis suggests that in urban Canada today and in the future, the main net rental supply is likely to be tenure conversion of houses in down-market areas, as in the United States and Australia. The potential increase in house rental across older and newer suburbs easily outweighs the ongoing losses that may occur through in central cities as gentrification proceeds. A key question for the spatial map of poverty then becomes this: To what extent will incremental house-rental supply be dispersed across the suburban landscape, and to what extent concentrated in down-market “inner-ring” suburbs?

23 These figures come from the NCRP census dataset.

24 Calculated from CMHC, Rental Market Survey data, various years.

7. The Links to Housing Regime Shifts

The changes in the housing system reviewed in this paper are products of a changing political economy. The latter washes like a great wave over the labour market, the housing regime, and urban space. The postwar era, from the late 1940s to the 1970s, differs markedly from today's neoliberal era in important matters of public policy and in the characteristics and trends of the labour market and the housing market.

The housing system is significantly structured by public policy: through urban infrastructure, taxation, monetary policy, regulation of mortgage lending, mortgage insurance, land tenure law, urban planning, and so on. The state also subsidizes a social (non-market) housing sector. These broad characteristics of the state role in housing and of the state-and-market relationship vary significantly by period and by country. Altogether, these elements make up what is referred to as a housing regime, and it is a significant element of the broader political economy of the welfare state. In a largely market-driven housing regime such as in Canada it is easy to focus on market forces and take for granted the political economy context. European scholarship, with more nation-to-nation variation and a stronger state role on average, has been attentive to the state role in structuring the housing system in a mixed economy (see Arbaci, 2008; Hamnett, 1996; Murie, 2005; Musterd and Ostendorf, 1998).

All affluent countries have undergone a shift from a postwar era of strong growth and an expanding welfare state, to a contemporary, post-industrial era with slower growth and a plateaued welfare state (Banting, 2005; Jessop, 2002; Mishra, 1999). The postwar economic and social welfare model gave way to an era of neoliberal ideas and global forces, especially transnational corporations, wage competition, and globalized capital markets (Mishra, 1999, Chapter 6).

Despite global trends of market-oriented policy and wider income disparities, the severity of these trends differs widely among nations (OECD, 2014; Piketty, 2014, chapter 7). National systems significantly mediate between such forces and their consequences in cities. The largest sphere is the labour market and, related to it, income security. The extent to which a low-wage, low-income social segment emerges depends considerably on institutional regulation of the labour market and related factors. This includes the way that entry and exit from the labour market, non-participation, and unemployment are structured by education and training, as well as wage laws, child care options, transport costs, unemployment benefits, and retirement pensions and rules. Indeed, the class structures of postindustrial society are significantly shaped by each nation's political economy (Esping-Andersen, 1999). In particular, the "extent of underclass and

new lower class formation depends on a deficit of institutional regulation in economy and society” (Lash and Urry, quoted in Hamnett, 1996, p. 1425).

Likewise in housing: the housing regime can significantly mediate urban inequality and structure urban spatial patterns. Housing shapes urban spatial patterns, plays a large role in inequality, and is structured somewhat by policy. In European analyses (e.g. Musterd and de Vos; 2007; Van Kempen, 2005) this relationship is explicit: housing mix shapes social mix; the state plays a role in managing both housing and mix; and these are among the concerns or consequences of welfare state policy. For Musterd (2002), lesser income disparity, a more equal education system, and better public transport are great equalizers, along with neighbourhoods more often mixed in price, tenure, and therefore income.

It has been argued (Arbaci, 2007) that different welfare and housing regimes have very different results in terms of socio-tenure segregation. Market-dominated housing production generates high socio-tenure segregation and consequently high spatial segregation of income, whereas the larger social rental sectors of Northwestern Europe generate less segregation—or did so when that sector was still growing. Market-driven regimes, in which new supply serves only affluent households, channel lower-income demand by default into lower price/quality segments of private rental, or into a small social housing sector. These rental sectors have a geography that is distinctive and much less spatially dispersed than the dominant homeowner sector.

Strikingly different housing and neighbourhood patterns are found in different historical periods and national systems. “Differences in the patterns of ethnic residential segregation, encountered between American and European cities, and across different European cities, should depend considerably on the different types of welfare arrangements and redistribution mechanisms” (Arbaci, 2007, p. 403). Better-regulated wages and larger state benefits can mean lesser income inequality, which should mean a housing market with lesser extremes. Larger social housing sectors can pre-empt market logic in determining the housing choices, conditions, and locations of low-income renters (see Table 4).

It has also been argued that where the welfare state is stronger, local conditions are less important and segregation in urban space less socially consequential (see Friedrichs, Galster, and Musterd, 2003; Wacquant, 2008; Whitehead, 2002). Kemeny (1995, p. 169) suggests that polarization manifests greatly in the housing sphere because it is highly market-driven. Two of the most significant dimensions of “regime” differences are the relative significance of social (non-market) housing, and socio-tenure segregation, as discussed in this paper.

Viewing the Canadian housing system in these terms helps explain recent neighbourhood change in our cities. Although Canada falls in the “liberal-welfare” type in international comparisons, with low social spending and relatively wide socio-economic disparities (Castles, 1998; Esping-Anderson, 1990), it was more of a middle case in the 1970s and 1980s. The Canadian labour market, like that of the United States or United Kingdom, has a large low-wage sector and low levels of transfer income. But in the 1970s and 1980s Canada had high levels of civilian public expenditure, was “transfer-intensive” by international standards, and had social welfare expenditures at levels typically associated with social-democratic regimes (Castles, 1998; Myles, 1996; O’Connor, 1989). The tax-and-transfer regime considerably mitigated inequality, resulting in income inequality and poverty less extreme than in the United States or United Kingdom, although higher than most of Western Europe (Picot and Myles 2005, pp. 13-14, 27;

Gottschalk and Smeeding, 1997). Large-scale postwar production of private rental and social housing had some of the same effect in the housing system.

Table 4: Generalized Summary of Rental in Two Regime Types

	Liberal-welfare regime	Postwar corporatist & social-democratic
Mode of creation	Filtering	New production
Priority & systemic position	Residual	Priority
Segment of demand	Small	Large
Income profile	Low	Mixed
Socio-tenure segregation	Severe	Variable
Venue of poverty & decline?	Yes	No

Perhaps as important as static or broad-brush comparisons is the direction of change, and key events and turning points. In the 1960s and 1970s the trend in Canada was toward stronger social programs, more public goods, higher transfer income benefits, and more non-market housing. Since the 1990s the trend has been the reverse. Recent research has emphasized Canada as an extreme case of polarization, second only to the United States and ahead of Britain (OECD, 2014).

In urban and social history, major economic crises or turning points can become key turning points in housing urban space (see Doling, 1997, p. 61, citing Ginsburg). Examples in Canada include the private rental construction boom starting in the mid-1950s, its collapse in the 1970s, the active 1970s state role in housing, the advent of social housing at a significant scale in the mid-1960s, the end of that regime in the mid-1990s, the enduring fault line created by 1990s recession and retrenchment, and the homeownership boom of 1996–2006.

In sum, Canada since the 1980s has been “coming off” a postwar labour market, policy regime, and housing market that was less polarized and less entirely market-driven, to one that is more so. The socially mixed postwar urban model was driven by four factors: rising prosperity with narrowing income disparities; a rising presence of government transfer income; a model of urban development that was mixed in terms of tenure, price, and built form; and significant non-market (social) housing production. Measured by decade, wage compression—a diminishing gap between upper and lower income levels—prevailed in the 1940s and 1950s.²⁵ Rising transfer income was seen in the 1940s to 1980s, with the advent in 1940–1952 of the main income transfer programs, expanded eligibility and benefits in the 1970s, and expanding case-loads in the recessions and unemployment of the early 1980s and early 1990s.²⁶

This paper has shown the large role of rental production in the housing market (circa 1955–1980) and later of social housing production (1965–1995) in creating a socially mixed urban space. The labour market element faded in the 1970s, as did the housing market element. The policy elements, transfer income and social housing, were greatly cut in the 1990s.

25 Myles (1996) refers to the “great wage compression” of the United States and Canada in the 1940s and 1950s; Podoluk (1968) documents the same trend for Canada. Piketty (2014, chapter 8) analyses at length the scale, importance, and historically anomalous nature of early to mid-20th century wage compression.

26 Battle (2001) shows that income security expenditure reached successively higher plateaus in the 1981–1982 and 1990–1993 recessions, and did not decline in the intervening boom.

8. Conclusions

This paper offers ideas to inform our understanding of the relation of rental housing to neighbourhood change and poverty concentrations in Canadian urban areas. Powerful explanations of the changing and intensifying geography of poverty and its association with rental housing are found in the concepts of filtering, socio-tenure segregation, and rental residualization. These concepts are not new, but have seldom been applied to understanding these issues in Canada.

Filtering refers to the tendency of older housing to decline in status, quality, resident income, and sometimes relative price. Filtering is the main process in the market and in market-dominated housing systems by which housing is supplied to households with lower incomes. Socio-tenure segregation is the way in which the differentiation of class and income by housing tenure shapes separation in urban space. Residualization refers to the way rental housing increasingly accommodates those with lower incomes, has low investment and policy priority, and is increasingly stigmatized.

Spatial patterns of poverty are a function of forces operating across the labour market and housing market, rippling across urban space to play out in particular neighbourhoods. Spatial polarization is deeply rooted in shifting labour market structures and widening income disparities. These forces propel the “sorting” of poor and affluent households into different areas. Lack of price-and-tenure mix in new growth areas reinforces the poverty concentrations in older areas. Large in-migration of immigrant or Aboriginal residents in today’s labour market context increases the demand for lower-rent housing in certain neighbourhoods. These connections between wider labour market disparities, high in-migrant flows, and spatial polarization have been little researched in Canada.

Urban Canada’s postwar geography of low income was shaped by the 1955–1980 market-rental production regime that created significant overall price-and-tenure mix in new production. This included many new apartments housing tenants across a wide income spectrum, spread across the urban area. Building for lower-income households meant less impetus for supply by filtering. This regime was extended in the 1970s and 1980s by assisted private rental, comprising one-quarter of postwar rental production, and in 1965–1995 by ongoing social housing production on a scale sufficient to meet one-half of net (incremental) low-income renter demand.

The shifting geography of low income since the 1980s and especially the 1990s has been shaped by the end of that regime. New production is priced only for the upper-income half of society. There is minimal new market rental production. The repair needs, neighbourhood settings, and tenant income profiles of the large stock of older apartment buildings induce under-maintenance as a strategy by various owner-investors. The creation of new subsidized rental units is now very small compared to the 10 to 15 percent of ongoing growth that consists of low-income renters. This difference means a much greater reliance on filtering to meet net (incremental) low-income renter demand than was the case in the postwar era. It also means more issues of poor rental housing quality, partly due to the age of the stock and partly to filtering's effects on housing quality.

The central dynamic in the evolving geography of poverty is how the low-income renter segment of urban growth is distributed spatially across different housing market segments. Neighbourhood change in lower-income areas arises from the way the lower-income segment of growth is absorbed in the housing market by filtering. These spatial patterns are most evident at a coarse spatial scale of analysis, of urban growth rings and districts of different vintages, not only at a fine-grained neighbourhood scale. The postwar and central-city locations of most rental contrast today to the location of most homeowners in post-1980 suburbs.

The spatial residential patterns of lower-income social groups—including new immigrants, Aboriginals, and disadvantaged ethno-racial groups—are largely determined by the spatial patterns of the housing stock they can afford, which constrains their housing choices. Research into new-immigrant and Aboriginal housing choices and conditions will better explain these processes to the extent that they are analysed in the context of constrained housing options.

Social housing in Canadian cities accounted for about half of the evolving geography of poverty in the 1970s to early 1990s. The contribution of social housing to broad-grained spatial mix or concentration in Canada has been little researched. Despite some neighbourhood concentrations, it appears that this sector tended to foster socio-spatial mix in its expansion period. Since then its locations have become part of a broader geography of rental, out of sync with that of homeowners and tending to poverty concentrations. The end of social housing production at scale leaves the full magnitude of net low-income renter demand to be absorbed in down-market private rental, which will tend to feed spatial concentrations.

In the 70 years since the Second World War, urban Canada's main incremental low-rent housing supply shifted in successive periods. In the early postwar years (1945 to circa 1960) it was filtering in the central city. In the peak postwar years (circa 1960s to early 1980s) it was new rental construction in the central city and postwar suburbs. The latter pattern extended into the early 1990s for new social housing.

Since then the main incremental low-rent housing supply has been filtering in the postwar suburbs. For low-income renters, the dominant form this has taken is a rising low-income share of residents in the postwar apartment stock, as other tenants move out. For the future, the dominant forms of filtering will probably include more of the same, as well as tenure conversion of houses in down-market areas. Research on neighbourhood change must pay attention to renting in low-density stock, and low-income ownership, and not only to the rental apartment building sector.

The changes in the housing system reviewed in this paper are the products of a changing political economy. In housing and urban space, the main dimensions include the demise of the postwar private-rental production regime and the demise of social housing production at a significant scale. They also include a more pronounced spatial “sorting” of poor and affluent households, propelled by widening income disparities. Together, these trends reinforce the spatial logic of filtering and “the down-market.” Canada’s housing regime, one part of its particular variant of welfare-capitalism, has changed significantly since the 1980s and 1990s. Broad systemic shifts in housing have placed a strong “imprint” (Badcock, 2000) on who lives where in urban space.

We have much to learn from comparative research on these matters. The locale of the low-income segment of urban growth and associated filtering and urban “decline” has shifted to lower-status postwar suburbs in a parallel way in Canada, Australia, Western Europe, and the United States. Comparisons among Canadian cities may also help show how differences in postwar private rental and social housing, and different courses of labour market change and migration, have shaped differences in spatial and neighbourhood change.

Down-shifts in housing quality serve to meet the needs of lower-income groups, since not all can afford good quality housing at high prices. Problems of housing affordability, quality, or potential crowding (Core Housing Need) are inherent in market responses to low-income demand. Yet down-market neighbourhoods play an important systemic role, providing moderately priced housing that is more or less affordable to households with lower incomes. As researchers, we need to understand and communicate the dynamics of rental housing and poor neighbourhoods, even while striving not to feed the emerging stigmatization of moderate-cost rental housing and neighbourhoods.

Table 5: Rental Production and Filtering: Estimates for Canada, 1961–2011

	1961– 1966	1966– 1971	1971– 1976	1976– 1981	1981– 1986	1986– 1991	1991– 1996	1996– 2001	2001– 2006	2006– 2011
Annual average change by five-year period										
Rental households	72,000	97,000	67,000	81,000	54,000	67,000	39,000	2,000	–5,000	41,000
Social housing (and AHI/miscellaneous post-1996)	2,000	11,000	23,000	20,000	20,000	19,000	19,000	3,000	2,000	4,000
Est. Low-income social housing	2,000	11,000	23,000	14,000	14,000	13,000	13,000	1,000	1,000	1,000
Low-income renters	22,000	30,000	40,000	40,000	26,000	36,000	26,000	–4,000	26,000	26,000
Other renter households	50,000	67,000	27,000	41,000	28,000	31,000	13,000	6,000	–31,000	15,000
Rental production	67,000	92,000	90,000	70,000	45,000	39,000	17,000	9,000	19,000	18,000
Five-year total change										
Rental households	362,000	487,000	337,000	405,000	271,000	335,000	196,000	11,000	–26,000	206,000
Social housing (and AHI)	10,000	53,000	113,000	98,000	102,000	95,000	94,000	13,000	10,000	20,000
Est. Low-income social housing	10,000	53,000	113,000	69,000	71,000	67,000	66,000	4,000	3,000	6,000
Low-income renters	110,000	150,000	200,000	200,000	130,000	180,000	130,000	–20,000	130,000	130,000
Other renter households	252,000	337,000	137,000	205,000	141,000	155,000	66,000	31,000	156,000	76,000
Rental production	335,000	459,000	452,000	352,000	226,000	196,000	84,000	44,000	93,000	92,000
Estimated shares of change										
Production % of net rental change	93%	94%	134%	87%	83%	59%	43%	400%	–358%	45%
Filtering (by subtraction)	7%	6%	–34%	13%	17%	41%	57%	–300%	458%	55%
Social housing % of net rental	3%	11%	34%	24%	38%	28%	48%	118%	–38%	10%
Low-income social housing as % of low-income renters	9%	35%	57%	35%	55%	37%	51%	–20%	2%	5%

Sources:

(a) Net rental change from Statistics Canada, census, rounded.

(b) Social housing from Suttor, 2014, from CMHC data.

(c) Low-income social housing estimated at 100% to 1971, 70% 1976–96 (mixed public + less-targeted non-profit/co-op 1976–86; targeted NP/co-op 1986–96), 30% post-1996 AHI/misc.

(d) Low-income renters from census microdata (households and dollars to nearest 1,000): (i) actuals for post-1991 periods; (ii) 18% of net household change, 1971–91, applied to all 1971–91 subperiods; (iii) no data for pre-1971, therefore the 15% that applies to 1971–2001 is used as default estimate, given strong household formation.

(e) Other renters by subtraction.

(f) Production from CMHC data, CANSIM, details in Suttor (2014).

Table 6: First-quintile Renter Share of Households by CMA

	1991	1996	2001	2006	2011
<i>First-quintile renters</i>					
Halifax	17,000	19,000	21,000	22,000	23,000
Montréal	203,000	219,000	230,000	247,000	245,000
Toronto	188,000	221,000	214,000	223,000	238,000
Winnipeg	37,000	40,000	38,000	40,000	38,000
Calgary	37,000	41,000	41,000	44,000	45,000
Vancouver	85,000	90,000	99,000	97,000	101,000
<i>All households</i>					
Halifax	118,310	127,475	144,400	155,095	165,150
Montréal	1,235,725	1,341,270	1,417,360	1,525,740	1,613,290
Toronto	1,366,695	1,488,370	1,634,740	1,801,250	1,989,690
Winnipeg	252,160	261,835	269,870	281,675	291,345
Calgary	275,815	305,310	356,145	415,600	464,000
Vancouver	609,260	692,715	758,390	816,770	891,305
<i>First-quintile renter share of households</i>					
Halifax	14%	15%	15%	14%	14%
Montréal	16%	16%	16%	16%	15%
Toronto	14%	15%	13%	12%	12%
Winnipeg	15%	15%	14%	14%	13%
Calgary	13%	13%	12%	11%	10%
Vancouver	14%	13%	13%	12%	11%
<i>First-quintile income limit</i>					
Halifax	\$19,000	\$19,000	\$21,000	\$25,000	\$28,000
Montréal	\$15,000	\$14,000	\$18,000	\$22,000	\$23,000
Toronto	\$23,000	\$21,000	\$26,000	\$28,000	\$31,000
Winnipeg	\$17,000	\$17,000	\$20,000	\$25,000	\$28,000
Calgary	\$21,000	\$22,000	\$29,000	\$33,000	\$39,000
Vancouver	\$19,000	\$18,000	\$21,000	\$24,000	\$27,000

Source: Statistics Canada, census. First quintile calculated from microdata.
 NHS data (2011) are broadly consistent with 2006 data and post-1991 trends.

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