Homeownership Rate Varies Significantly by Race

1. Introduction

Issue

Eliminating discrimination in housing in Canada is an essential, strategic requirement for Canada Mortgage and Housing Corporation to achieve our aspiration that "by 2030, everyone in Canada has a home that they can afford and that meets their needs." A key first step to eliminating discrimination in housing is knowing what housing outcome inequalities exist. This paper does not itself identify discrimination, but is aiming to highlight areas researchers should focus on in future discrimination research. Moreover, for many Canadians, homeownership represents a key tool for wealth accumulation. An increasing body of literature finds that generational wealth, mainly accumulated through housing, explains differences in current inequality rates in a number of different economies; this has implications for future housing affordability and the perpetuation of inequalities (Arundel, 2017[1]; Deng et al., 2020[2]; Galster and Wessel, 2019[3]; Worth, 2021[4]). Therefore, eliminating discrimination represents an important moral objective. While this article focuses on the homeownership tenure, previous research[5] has focused on additional tenure types and the challenges faced by certain population groups

1.1 Project Overview

Data sources

To examine the issue, we started with exploring how homeownership rates vary across different racial groups. We used data from the 2016 Census, the 2011 National Household survey and the 2006 Census, and used the individual rate as opposed to the traditional household rate. This yields a slightly higher estimate of the homeownership rate in Canada – as households that own their home tend to be larger – but includes more demographic variables, which are important for this analysis.

[1] https://www.tandfonline.com/doi/full/10.1080/14036096.2017.1284154

[2] https://www.sciencedirect.com/science/article/abs/pii/S0197397519304333

[3] https://www.sciencedirect.com/science/article/abs/pii/S0049089X17309717

[4] https://www.sciencedirect.com/science/article/abs/pii/S0016718521000294

[5] https://www.cmhc-schl.gc.ca/en/professionals/housing-markets-data-and-research/housing-research/research-reports/housing-needs/understanding-housing-needs-racialized-individuals-communities

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Key definitions

All population groups are self-identified. "White" represents those who self-identify as Caucasian in race or white in colour and the data used the term "Aboriginal" for Indigenous communities. For homeownership, we consider people living in a home owned by at least one inhabitant of the home to be homeowners. Mixed race (white and visible minority) was not a category in the 2006 Census and therefore is not included in some of the tables and figures.

2. Key Findings

Black, Arab, Aboriginal people and Latin American Canadians had the lowest homeownership rates, and the gap grew since 2006

In 2016, Canada had an overall homeownership rate of 72.61%. While many visible minority populations are near or above the national average, some groups show significantly lower homeownership rates, in particular, the Black (44.50%), Arab (47.30%), Aboriginal peoples (49.57%), Latin American (50.83%), West Asian (56.35%), Korean (61.04%), and Filipino (62.27%) visible minority groups.

Between 2011 (NHS) and 2016 (Census), the overall homeownership rate fell by 2.74 percentage points. The biggest proportional drops in homeownership rates came from the Black, Filipino, Arab, West Asian, and Korean groups. In other words, the homeownership gap between these racial groups and other racial groups increased between 2011 and 2016. Similar racial group differences exist when evaluating the change between the 2006 and 2016 censuses, with the notable exception of the Aboriginal peoples and Latin American groups that demonstrated positive growth between 2006 and 2016.

Figure 1: Homeownership rate, by racial group over time
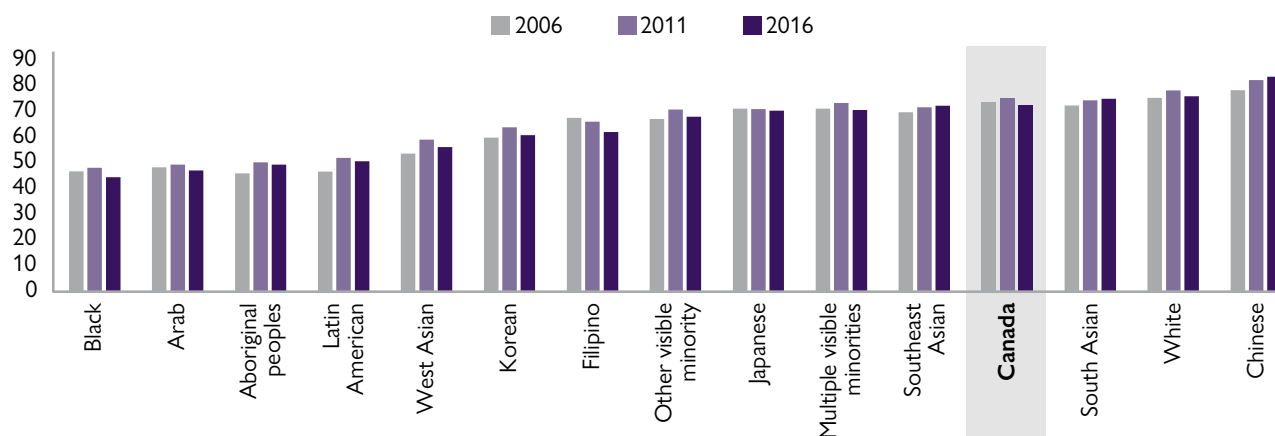
Source: Census 2006 and 2016, 2011 National Household Survey; CMHC calculations

Table 1: Growth in homeownership rate

Population Group	2011-2016	2006-2016
Black	-7.94%	-5.18%
Arab	-4.58%	-2.57%
Aboriginal peoples	-1.76%	7.41%
Latin American	-2.64%	8.45%
West Asian	-4.99%	4.55%
Korean	-4.83%	1.60%
Filipino	-6.16%	-8.14%
Other visible minorities	-4.01%	1.26%
Japanese	-1.01%	-1.32%
Multiple visible minorities	-3.76%	-0.90%
Southeast Asian	0.64%	3.53%
South Asian	0.60%	3.37%
White	-2.99%	0.75%
Chinese	1.45%	6.64%

Source: Census 2006 and 2016, 2011 National Household Survey; CMHC calculations

2.2 Gap remains after controlling for demographics, location and income

To assess if the likelihood of living in an owned home is influenced by race, we used a weighted binary probit regression. In Table 1, we compare the marginal effects for visible minority groups against the White group, using three sets of specifications. We can immediately observe that many minority groups have a lower likelihood of homeownership.

- **A.** The **demographic** control variables are age, sex, household living arrangement, knowledge of official languages, generation status, and immigration category. By controlling for these factors, we can check whether differences in homeownership rates persist once demographic variables are accounted for.

- **B & C.** The second specification adds a control for the **province**; the third adds a control for both **province** and the family **income**. The risk in using these controls is that both location and income may themselves include systemic biases. These results would then incorporate some of those external biases into the results. Nonetheless, location (and the associated house prices of the location) and income are important factors for obtaining a mortgage and purchasing a home.

Regardless of the specification, the negative significant difference holds for Black, Aboriginal peoples, Arab, Latin American, Filipino, West Asian, mixed-race and other visible minority groups.

Table 2: Marginal effects for 3 specifications compared to White group

Population Group	A. Demographic*	B. Demographic + Province*	C. Demographic + Province + Income*
Black	-0.1942***	-0.1972***	-0.1622***
Aboriginal Peoples	-0.2184***	-0.2188***	-0.1446***
Arab	-0.2057***	-0.2027***	-0.1112***
Latin American	-0.1394***	-0.1380***	-0.1074***
Filipino	-0.0977***	-0.1004***	-0.0805***
White and Visible Minority	-0.0687***	-0.0657***	-0.0525***
Other visible minority	-0.0482***	-0.0504***	-0.0308***
West Asian	-0.1117***	-0.1074***	-0.0255
Multiple visible minority	-0.0372***	-0.0368***	-0.0171
Korean	-0.0676***	-0.0643***	0.0077
Japanese	-0.0043	0.0043	0.0081
South Asian	0.0010	0.0009	0.0418***
Southeast Asian	0.0171***	0.0210***	0.0453***
Chinese	0.1282***	0.1306***	0.1539***

Source: Census 2016, CMHC calculations

* For each set of specifications (A-C):
 Number of unweighted observations: 905,192
 Number of weighted observations: 33,525,671

***Indicates that the result is significant at 99.9% confidence.

2.3 Little difference between sexes within most racial groups

Within racial groups, there seems to be little consistent difference between sexes in the share living in a home owned by at least one of the inhabitants. Some groups have a higher share for one sex to live in an owned home, while others have the opposite sex being more likely. However, the data does not identify whether the homeowner is male or female, merely that someone in the home owns it. Table 2 provides the results for all racial groups.

Three racial groups have a statistically significant difference between the sexes:

- higher homeownership rates for males in White and Aboriginal groups;
- higher homeownership rate for females in the South Asian group.

Table 3: People living in a home owned by at least one inhabitant (%), by race: difference between males and females

Racial group	Female	Male	Difference*	Adjusted Wald Test significant difference at 95% confidence
South Asian	73.75	76.59	**-2.84**	**YES**
Korean	60.16	61.8	-1.64	NO
Latin American	50.27	51.34	-1.07	NO
Arab	47.06	47.58	-0.52	NO
Chinese	83.70	83.90	-0.20	NO
West Asian	56.33	56.36	-0.03	NO
Southeast Asian	72.53	72.38	0.15	NO
Filipino	62.39	62.17	0.22	NO
Black	44.71	44.30	0.41	NO
Mixed race (White and visible minority)	67.72	66.61	1.11	NO
White	76.72	75.71	**1.01**	**YES**
Other visible minorities	69.01	67.49	1.52	NO
Multiple visible minorities	71.67	70.05	1.62	NO
Aboriginal peoples	50.78	48.44	**2.34**	**YES**
Japanese	72.73	69.24	3.49	NO

Source: Census 2016, CMHC calculations

*Difference = male minus female: positive is higher rate for males; negative is higher rate for females.

3. Gap exists within all income, immigration and location segments

Beyond overall results and regressions, we can look at specific segments of the population to see if the differences in outcomes are concentrated within specific income brackets, immigration statuses or locations.

## 3.1 Gaps exist at all income levels; widest at lowest income levels

For the purposes of this analysis, there are three income groups:

- Low-income (less than $50,000 in family income)

- Middle-income (between $50,000 and $150,000 in family income)

- High-income (more than $150,000 in family income)

As with the homeownership indicator, this value looks at the income for the entire household and not strictly the individual. Figure 2 shows the full results of this analysis. Within each income group, the four populations we highlighted above (Black, Arab, Aboriginal people and Latin American) have the lowest ownership rates, except for at the highest income group where Japanese have a low ownership rate. The Japanese population exhibits the smallest impact of income on ownership rate.

Figure 2: Homeownership Rate, by Race and Income
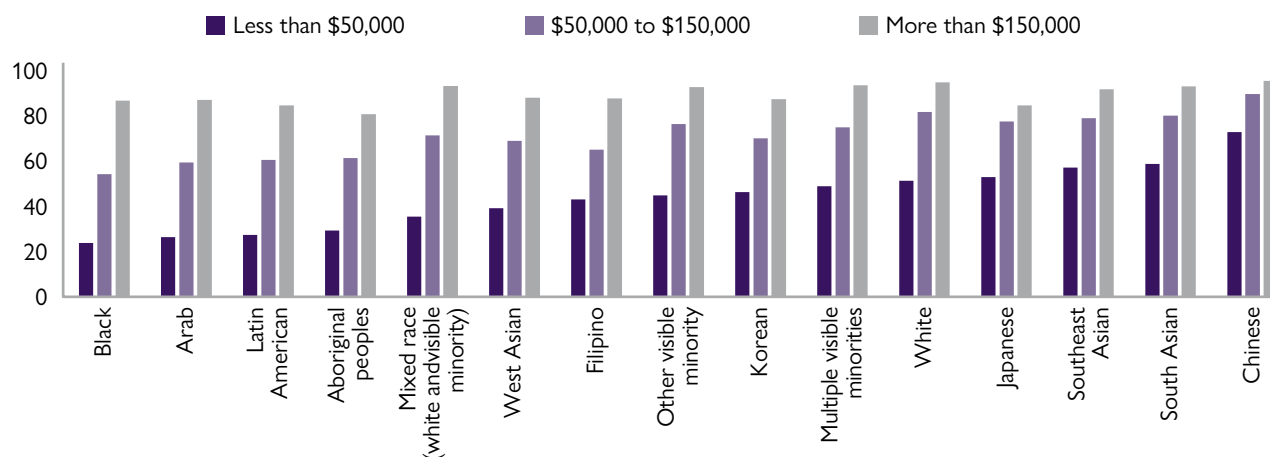
Source: Census 2016; CMHC calculations

Not only is there a gap between some racial groups within income brackets, but some racial groups in lower income brackets still have higher ownership rates those with higher incomes in other racial groups. For instance, middle-income Black have lower ownership rates than low-income Japanese, Southeast Asian, South Asian and Chinese populations. Further, high-income Aboriginal people are less likely to own their home than middle-income White or Chinese populations.

The gaps are smallest in the high-income segment of the population, but there remains a nearly 15 percentage point difference in ownership rate between Aboriginal people and Chinese populations and a nearly 10 percentage point difference between Black and Chinese.

Income has the largest effect on Black Canadians, with the difference in homeownership rate between the lowest income group and the highest income group of 63.02 percentage points. Chinese individuals have the smallest difference with just a 22.78 percentage point difference. This indicates that income does not effect each group's likelihood of homeownership in the same way.

3.2 Gaps consistent across immigration segments

Recent immigrants require time to move into homeownership; therefore, recent immigrants are analyzed separately from established immigrants and non-immigrants. For this analysis, recent immigrants are those who immigrated less than seven years before the census – 2010 and later. Table 4 presents the results of this analysis.

The non-immigrant segment closely resembles the overall results. The most notable difference is with the Korean group, which has a lower ownership rate of just 47.78%. The discrepancy comes from established Korean immigrants having a relatively high ownership rate, thereby increasing their overall rate. Within each immigrant segment, White, Chinese, South Asian and Southeast Asian have the highest ownership rate. The gap to Black, Arab, Latin American and West Asian groups remains significant for all immigration segment.

Table 4: Homeownership rate by race for recent immigrants, established immigrants and non-immigrants

Racial group	Recent Immigrants	Established Immigrants	Non-Immigrants
Black	25.06	52.24	43.97
Latin American	34.53	58.24	45.99
Arab	22.45	59.08	50.29
West Asian	29.06	66.82	58.09
Filipino	45.19	71.96	64.96
Other visible minorities	N/A	74.00	67.85
Mixed race (White and visible minority)	35.05	68.09	69.09
Korean	46.57	71.25	47.78
Multiple visible minorities	N/A	75.71	70.59
Southeast Asian	53.86	75.68	71.51
Japanese	N/A	72.68	73.39
White	44.25	80.68	76.08
South Asian	51.14	82.25	75.23
Chinese	79.87	88.11	78.00

Source: Census 2016, CMHC calculations

N/A: results are omitted due to small sample sizes.

The non-immigrant segment can be further broken down based on generation statues: second generation through one or both parents, or third and higher generations.

Table 5 presents these results. Once again, the order of ownership by race does not change significantly and there is a large gap between Black Canadians and other Canadians.

Table 5: Homeownership rate by race for second generation (through one or both parents) and third or higher generations

Racial group	Second generation (one or both parents)	Third and higher generations
Black	46.97	44.07
Latin American	54.07	N/A
Arab	56.70	N/A
West Asian	65.64	N/A
Filipino	68.54	N/A
Other visible minorities	69.06	N/A
Mixed race (White and visible minority)	69.92	70.86
Korean	70.11	N/A
Multiple visible minorities	71.86	N/A
Southeast Asian	74.94	N/A
Japanese	79.15	87.45
White	79.43	75.75
South Asian	81.53	87.39
Chinese	87.80	89.46

Source: Census 2016, CMHC calculations

N/A: results are omitted due to small sample sizes

3.3 Racial ownership gap consistent in urban and rural settings

Given the large difference in house prices between urban and rural settings, this is another key segmentation. However, the rank order and magnitude of the differences between racial groups remains largely consistent with the overall results and other segmentations. Table 6 presents the results. These are presented using Census Metropolitan Areas (CMA) in the Census. Two groups have been created: (1) the largest three CMAs, and (2) many large CMA from across Canada.

Large CMA: Halifax, Moncton – Saint John, Québec, Montréal, Sherbrooke – Trois-Rivières, Ottawa – Gatineau, Oshawa, Toronto, Hamilton, St. Catharines – Niagara, Kitchener – Cambridge – Waterloo, London, Windsor, Brantford – Guelph – Barrie, Kingston – Peterborough, Greater Sudbury / Grand Sudbury – Thunder Bay, Winnipeg, Regina – Saskatoon, Calgary, Edmonton, Vancouver, Victoria, and Kelowna – Abbotsford

Major CMA: Toronto, Montréal, and Vancouver

The largest notable differences come from the Chinese and South Asian groups who have materially lower share owning a home in rural than urban setting. The opposite is true for the White group. Otherwise, no results are significantly different from the overall results.

Table 6: Homeownership rate by race for those living in a large CMA, a major CMA or not in a large CMA

Racial group	Any large CMA	Major CMA	Not in large CMA
Black	44.45	44.22	45.71
Arab	47.43	45.07	N/A
Aboriginal	50.02	46.73	49.31
Latin American	50.52	47.39	55.89
West Asian	56.44	55.61	N/A
Korean	60.59	59.37	N/A
Filipino	62.78	58.84	57.37
Mixed	66.65	63.57	72.62
Other	68.45	68.16	N/A
Japanese	68.73	66.87	N/A
Multiple	70.79	68.95	N/A
Southeast Asian	72.28	69.29	N/A
White	73.91	71.03	80.22
South Asian	75.39	75.65	66.28
Chinese	84.01	84.79	74.76

Source: Census 2016, CMHC calculations

NA: results are omitted due to small sample sizes.

4. Implications for the Housing Industry

These preliminary results indicate differential outcomes in terms of ownership rates by race. However, this is not equivocal evidence of discrimination and a number of different factors may explain the difference. Further, homeownership rates represent only one outcome of the housing finance market. We will follow this research insight with additional analysis that explore whether there are differential outcomes across racial groups in terms of housing wealth, mortgage interest rate and household debt, among other indicators. This collective research will help identify the groups and aspects of the housing finance market that require more comprehensive analysis.

Further research is needed to understand what explains these results. At a high level, some potential factors that could contribute to the differential outcomes are:

- potential implicit biases in the housing finance system;
- historic discriminatory practices;
- spillover from broader economic inequalities; and/or
- current direct forms of discrimination.

Potential examples of implicit biases in the housing finance system include imbedded racial bias in artificial intelligence (Livingston, 2020[6]), source of income restrictions (Schwemm, 2020[7]), risk metrics including credit scores (Smith and Daniels, 2018[8], and CMHC, 2002[9]). Further, it may include differences in credit reporting practices across countries.

Historic discriminatory practices can affect current outcomes as people remain in their homes for many years and through the generational wealth mechanism discussed in the introduction (Purdy, 2003[10]).

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[6] https://www.sciencepolicyjournal.org/article_1038126_jspg160205.html

[7] https://scholarlycommons.law.case.edu/caselrev/vol70/iss3/4/

[8] https://link.springer.com/article/10.1007/s10693-017-0274-5

[9] https://eppdscrmssa01.blob.core.windows.net/cmhcprodcontainer/sf/project/archive/research_5/housing_discrimination_in_canada.pdf

[10] https://academic.oup.com/jsh/article-abstract/37/2/457/983864?redirectedFrom=PDF

Broader economic inequalities include income and employment differences across groups that lead to differences in housing outcomes. This was partially included in sections 3.1 that shows how increasing income leads to increasing homeownership rates and in section 2.2 that shows the gaps decrease across most racial groups when income was included in the regression.

Finally, current direct forms of discrimination could affect outcomes both within the housing finance market directly and in the rental market that affects their ability to save for a down payment (Motz and Currie, 2019[11] and Hogan and Berry, 2017[12]).

Ultimately, it is likely a combination of these factors that results in the housing outcome disparities we see in this article. Further research is needed to determine to how and to what extent these factors contribute to the gap.

Related Reading

CMHC's Anti-Racism commitment:
A Movement, Not a Moment | CMHC
https://www.cmhc-schl.gc.ca/en/media-newsroom/notices/2020/movement-not-moment

Project Manager

Seamus Benwell
Senior Analyst, Economics
Canada Mortgage and Housing Corporation

[11] https://www.sciencedirect.com/science/article/pii/S0033350618304001
[12] https://www.sciencedirect.com/science/article/pii/S0033350618304001

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Alternative text and data for figures

Figure 1: Homeownership rate, by racial group over time

Group	2016	2011	2006
Black	44.64	48.34	46.93
Arab	47.28	49.57	48.55
Aboriginal peoples	49.58	50.46	46.15
Latin American	50.90	52.21	46.87
West Asian	56.39	59.31	53.90
Korean	61.04	64.14	60.08
Filipino	62.33	66.36	67.79
Other visible minority	68.26	71.07	67.37
Japanese	70.65	71.24	71.46
Multiple visible minorities	70.86	73.6	71.47
Southeast Asian	72.54	71.99	69.98
Canada	**72.61**	**75.35**	**74.05**
South Asian	75.27	74.69	72.69
White	76.22	78.56	75.64
Chinese	83.88	82.61	78.59

Source: Census 2006 and 2016, 2011 National Household Survey; CMHC calculations

Figure 2: Homeownership Rate, by Race and Income

Population group	Less than $50,000	$50,000 to $150,000	More than $150,000
Black	23.96	54.44	86.98
Arab	26.51	59.58	87.33
Latin American	27.55	60.79	85.00
Aboriginal peoples	29.39	61.54	80.99
Mixed race (white and visible minority)	35.65	71.56	93.55
West Asian	39.3	69.12	88.42
Filipino	43.28	65.31	87.97
Other visible minorities	45.07	76.70	93.01
Korean	46.50	70.41	87.69
Multiple visible minorities	49.05	75.13	93.84
White	51.57	81.95	95.16
Japanese	53.05	77.88	84.98
Southeast Asian	57.33	79.25	92.12
South Asian	58.98	80.42	93.46
Chinese	73.09	89.92	95.87

Source: Census 2016; CMHC calculations