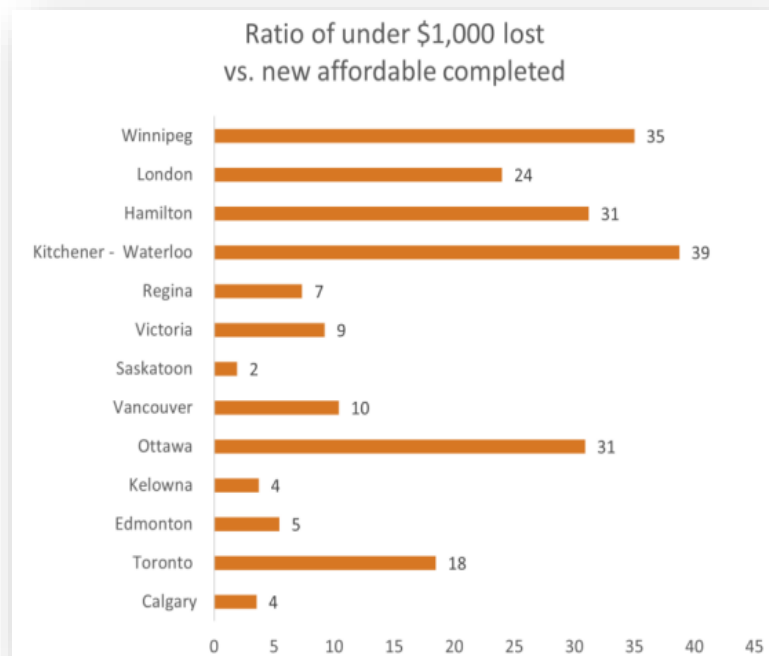
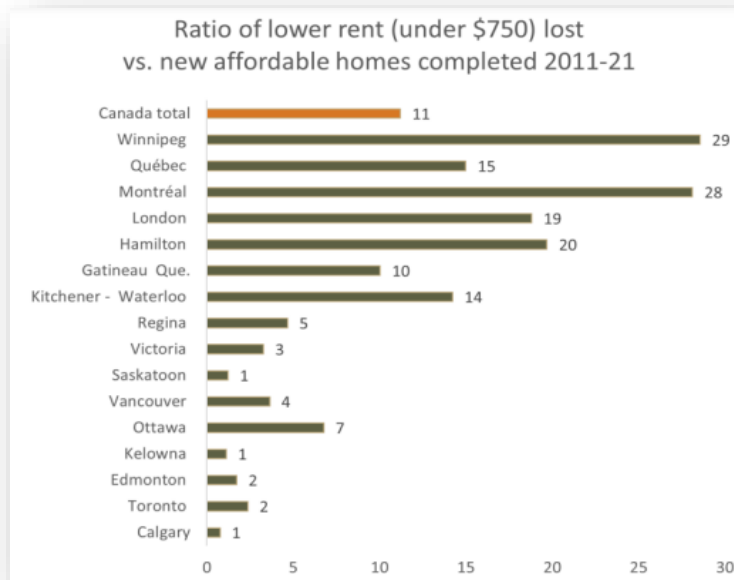


Filling the hole in the bucket: loss of existing affordable rentals massively undermining new affordable supply

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At a national level, Canada is losing eleven lower rent affordable homes for every one home added (at considerable subsidy cost) under federal and federal-provincial-territorial programs. The lesson from this analysis is that it is not enough to focus on adding new supply (both market and affordable). It is critical to slow the erosion, and to plug the holes in the bottom of the bucket – a solution that is currently absent in the National Housing Strategy (NHS).



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This analysis simply used the rent boundaries published in the census and then determines the change in number of units between each census period. The rent of \$750 approximates 30% of minimum wage income.

Looking at a cross section of larger metropolitan cities the erosion of lower rent stock and the relative ratio of net loss is even more dramatic – especially in lower rent cities where there was a larger stock of lower rent units to lose, e.g. Winnipeg, Montreal.

Loss below \$750 was much less in higher cost cities, mainly because there were few units to lose – but the same phenomenon of eroding lower rents is found in the next rent band (\$750-\$1,000) with Ottawa (31), Toronto (18) and Vancouver (10) all losing more than 10 existing homes in this range for each new affordable constructed.

This erosion reflects both a lack of new affordable housing construction (lower in some cities vs. others) and market pressures that drive rents well above affordable levels, enabled by exemptions to rent control regulations that allow landlords to raise rents to whatever the market can bear if the unit is vacant (vacancy decontrol).

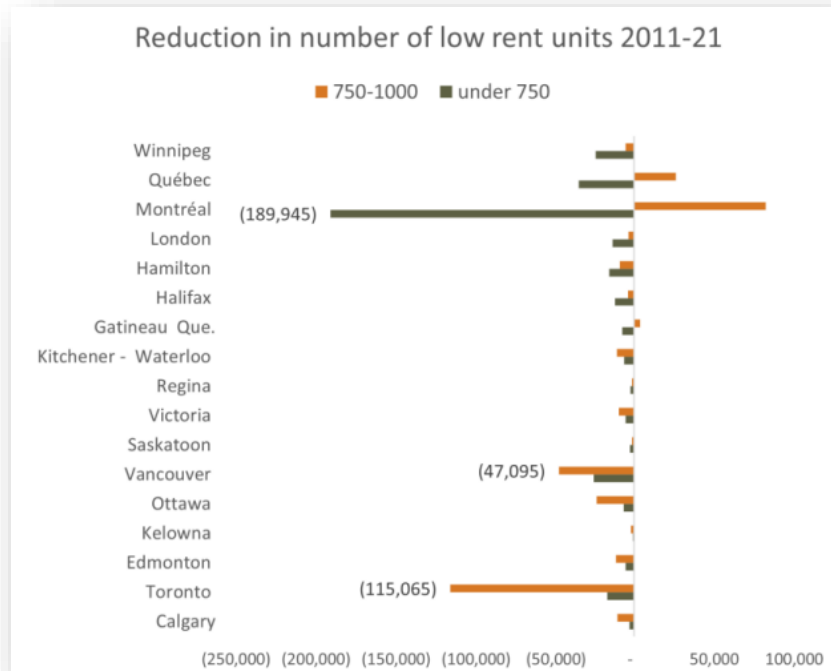
Much of this “loss” is relative in that the units still exist but at much higher rents; in other cases, the loss is absolute – older low rent properties are being demolished as cities seek to intensify, especially in core and transit areas. No doubt some may be lost to the short-term rental market (Airbnb)

This analysis uses two rent benchmarks:

- rents below \$750, which at 30% of income is affordable at an income of \$30,000 (roughly minimum wage in most provinces); and
- rents from \$750-1,000, the next rent band (with \$1,000 affordable at an income of \$40,000).

This retains nominal values, so it overlooks any change in incomes that might offset some of the loss. This approach is used solely to highlight change in the rent distribution over time; it does not examine relative affordability.

In higher cost cities, notably Toronto and Vancouver, the decline in the number of units below \$750 is not as large, mainly because few existed below that level in 2011. Here the erosion occurs in the next band. Much larger loss is evident for units from \$750-\$1,000. In lower rent cities, which are more evident in Quebec, there is substantial loss under \$750, but these units have only moved up into the \$750-\$1,000 band, creating “growth” in this next rental quantum (see Montreal, Quebec, and Gatineau).



Method and data sources

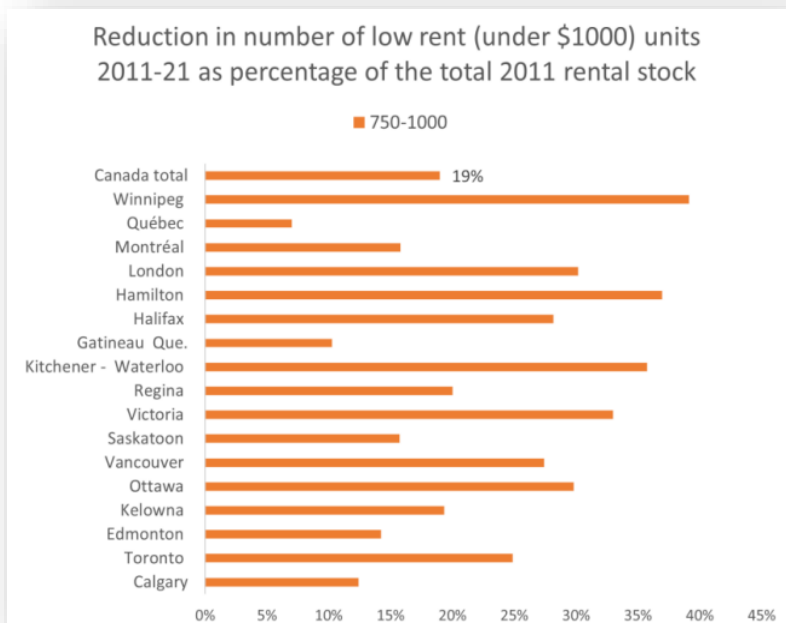
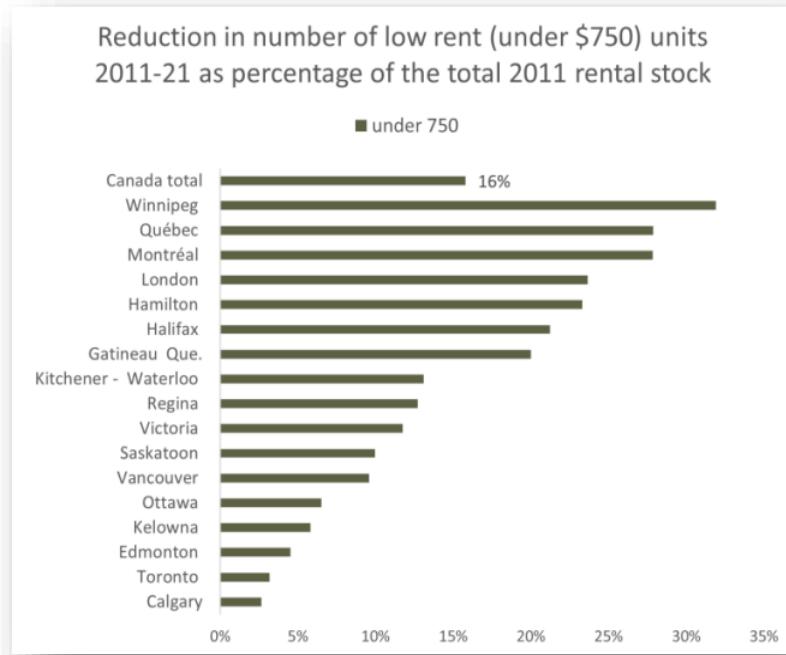
The relative net loss in affordable housing has been determined utilizing data drawn from the census, alongside new housing completions data obtained from CMHC to enumerate the production of new affordable housing, initially (2011-19) under Investments in Affordable Housing (IAH) and subsequently under various NHS initiatives (since 2018).

The IAH, with federal-provincial-territorial (FPT) cost matching, sought to generate affordable housing with rents below 80% of the CMHC Average Market Rent (AMR); National Housing Strategy initiatives have a variety of definitions to qualify as “affordable”.

In assembling a data file for the new Social and Affordable Housing Survey, CMHC is using a definition of administratively set rents, below full market – so some may exceed 100% of the CMHC average rent but are below full market. Data have been provided at a national and provincial scale as well as for a cross section of larger census metropolitan areas (CMA’s). This data is based on the identified status of each project at the completion of the development, (i.e. recorded as a completed affordable project vs. market rental) and captured in CMHC’s monthly starts and completions survey.

The number of additions and erosion vary by city in part due to differences in city size. To better compare across cities, it is useful to also examine the relative scale of erosion. This is done by calculating the size of the loss as a percentage of the total rental stock that existed in 2011. This is calculated separately for the two rent bands. Note this uses census rental counts,

so includes both the purpose-built rental stock as well as units in the secondary rental market (rented homes, apartments in houses and investor rented condominiums – although it is assumed that most lower rent units exist in the purpose-built part).



It is acknowledged that over this decade the number of lower income households (below \$30,000 and \$40,000) in these cities will have changed and especially in 2021, because the 2021

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census captured a large income effect from pandemic wage subsidy paid in 2020. As revealed in the 2021 census tables on core housing need, this generated some improvements in affordability. The current analysis does not examine how income change may have affected affordability levels – the focus is solely on how the lower rent units in the existing stock (augmented by any additional rental supply) have changed, and eroded availability of lower rent options for lower income households in need.