Updating Analysis on Erosion of Lower Rent Stock from 2021 Census

CHEC-CCRL Perspective, Oct 2022

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The loss of affordable housing in Canada is occurring at such a high rate that it will be impossible for current NHS initiatives to maintain, never mind expand, the net stock of low-rent units, research shows.

That is the conclusion of this brief update to previous research using the recent 2021 census release.

In 2020 I published a brief seeking an additional funding stream for the National Housing Strategy (NHS) to enable non-profit housing organizations to acquire existing moderate rent rental properties. That analysis highlighted the rapid erosion of such lower rent stock, and how this process negates efforts to increase affordable supply under the NHS.

I argued for the need to encourage mechanisms and funding to support non-profit acquisition to address this loss. It would slow the impact of private capital funds buying these existing affordable properties to increase rents and thereby generate strong investment returns.

In that brief I used a threshold rent of $750/month, equating to an income of $30,000 per year, based on the commonly accepted 30% benchmark for affordability. It also roughly approximates annual income at minimum wage.

That said, it's a rough rule of thumb, not a definitive measure. And it does not necessarily capture loss in higher cost markets.

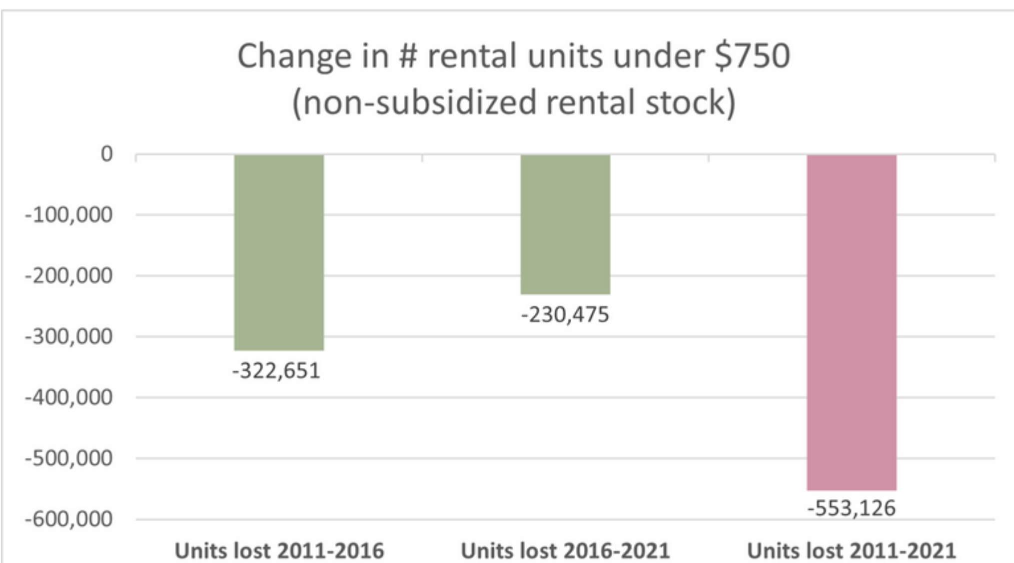
In the meantime, the census data does help to provide rough approximations and order of magnitude of the erosion of lower rent stock, which inevitably impacts on

access and rent burdens for lower income households.

National update from Census 2021

The release of the shelter cost and income data from the 2021 Census now provides an opportunity to update this earlier 2011-16 assessment. The census breaks out non-subsidized from all rental units, and in this review only the "non-subsidized" numbers are used.

As expected, the trend has continued, albeit at a slightly slower pace, but still substantially outpaces new affordable construction. From 2016-2021, a further 230,000 low-rent units (rents below $750) were lost (an average of 46,000 per year), on top of the loss in the prior five years (322,000). This represents 6% of total unsubsidized rental housing.



Source census 2011, 2016 2021

To date since its inception in 2018, the NHS has committed funding to build just over 95,000 new homes with roughly two-thirds of these at some level of affordable (Rental Construction Financing Initiative units account for the remaining third, 38,000, and most are well above any reasonable definition of affordable and almost none below the $750/month used to assess the census data). Very few have yet been completed with most in process or under construction.

So, by comparison the annual rate of loss (46,000) since 2016 is more than double the number of new units being added annually (under 20,000) under NHS funding. And this ignores the much larger backlog created from 2011-16 when fewer than 4,000 homes were added each year versus a loss of over 64,000 per year (a loss of 16 existing affordable homes for every new affordable unit created).

Without a response to address this rate of erosion it will be impossible for the substantial funding under the current array of NHS initiatives to have any impact in expanding the net stock of low rent units. In fact, the rate of erosion suggests that renter affordability issues will worsen, despite NHS investments.

Where did they go – what type of loss?

In terms of the identified change in the number of low rent units discussed above (using the $750 and $1,000 thresholds) there are several reasons and explanations for these changes (losses)

- Absolute loss due to demolition (often a factor in intensifying areas where planning policies encourage growing vs out – most older more affordable rentals were built in such areas)

- Absolute loss in smaller properties where occupancy changes – e.g., a detached dwelling with a suite may be converted back to single family (and vice versa to add units)
- Conversion of permanent rental into short-term vacation rental (e.g., Airbnb)

The other and likely more significant form of "loss" is not absolute loss but simply an increase in rent above some specified threshold (here $750/month). The unit still exists, but at a less affordable rent.

Decomposing the overall and city specific "losses" under any of these causes will require more detailed analysis.

Two research initiatives, both funded under the CMHC Housing Supply Challenge-Data Round, are undertaking this type of more detailed analysis, but results are unlikely to be available until later in 2023.

See link to full article on CHEC website, including statistics on the loss of affordable housing in specific provinces and cities:

https://chec-ccrl.ca/wp-content/uploads/2022/10/Updated-Analysis-on-Housing-Erosion-from-2021-Census-Steve-Pomeroy.pdf