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

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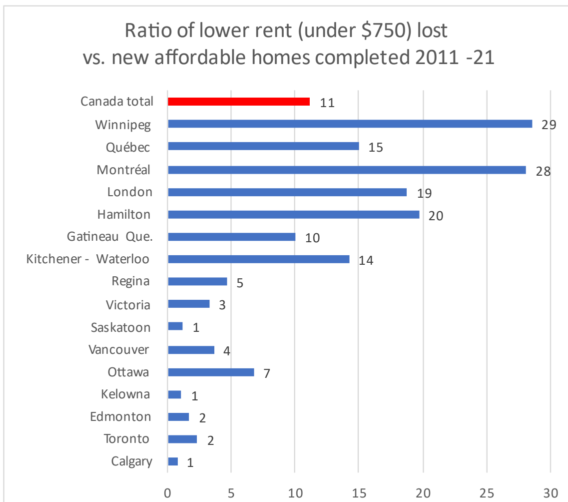
At a national level Canada is losing eleven lower rent affordable homes for every one home added (at considerable subsidy cost) under federal and federal-provincial-territorial programs. The lesson from this analysis is that it is not enough to focus on adding new supply (both market and affordable). 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).



Looking at a cross section of larger metropolitan cities (this sub-set of cities make up 67% of all rentals in Canada) 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 rent control regulations that allow landlords to raise rents to whatever the market can bear if the unit is vacant (vacancy decontrol).

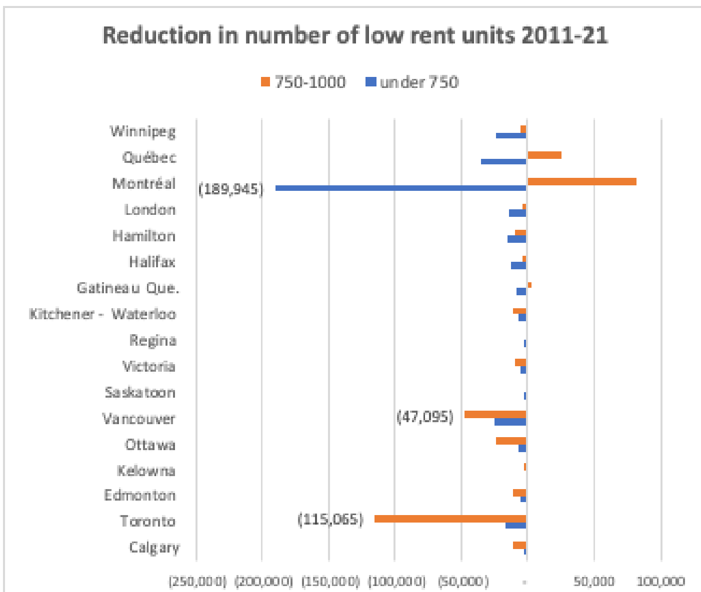
Much of this "loss' is relative in that the units still exist but at much higher rents; in other cases, the loss is absolute – older low rent properties are being demolished as cities seek to intensify, especially in core and transit areas, and some is lost to the short-term rental market (AirBnb)

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).

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 ($750-$1,000 where much larger loss is evident. Notably Toronto lost 115,000 of units renting between $750-$1,000, on top of the 17,000 lost below %750; and Vancouver lost 47,000 plus a further 25,000 under $750.

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).

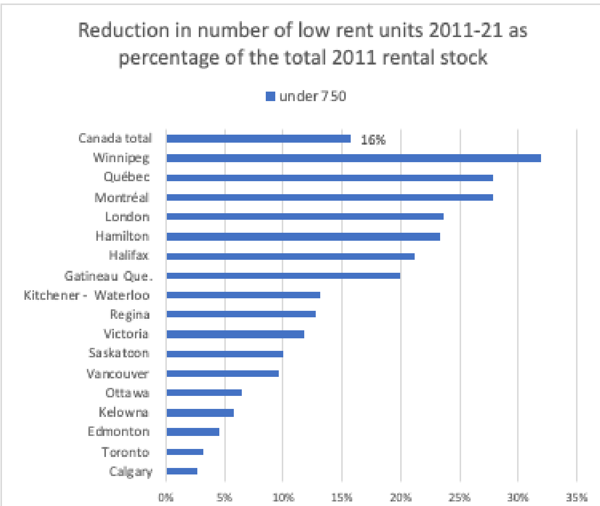


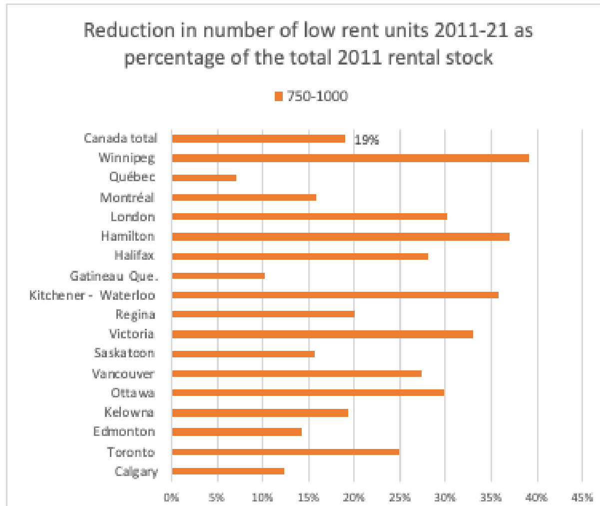
Concurrently, and new in this analysis, the relative net loss in affordable housing has been determined utilizing data drawn from the census, alongside new housing completions data obtained from CMHC to enumerate the production of new affordable housing, initially (2011-19) under Investments in Affordable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

The IAH, with Fed-Prov/Terr 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", although so called "affordable units" in the Rental Construction Financing Initiative are not included, as these remain well over $1,000).

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 (and province) in part due to differences in city size as well and level of new affordable investment. 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, under $750 and $750-$1,000. 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).





At the national scale, there are 16% few units under $750 than there were in 2011; and 19% fewer units in the $750-$1,000 range. In Winnipeg, Quebec, Montreal, London, Hamilton, and Halifax the loss of low rent units under $750 is more than 20% of the stock that used to be available in 2011.

The pattern for the next rent range shows a wider number of cities with reductions in units between $750-$1,000 exceeding 20% of the 2011 stock, adding Toronto, Vancouver, Ottawa, Victoria, and Kitchener-Waterloo.

Against this very significant erosion of lower rent opportunities renter housing affordability and homelessness continue to worsen, reflecting in the number of people resorting to encampment because they are simply unable to find anything that they can afford. And for those seeking to exit homelessness, the lack of lower rent options makes this impossible. While increase the investment to build more affordable homes and permanent supportive housing it is equally important to try and slow this phenomenon of erosion.

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