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Three strikes and affordable housing in Canada is officially out!

Jun 05th, 2008 by Michael Shapcott
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The latest in three sets of major housing and income data over the past month (rental numbers released this morning) confirms the nation-wide affordable housing crisis is moving up the income scale from low to moderate to middle-income households.

The numbers underline a deep, persistent and growing affordability gap between the rents charged in private markets (where most low, moderate and middle-income Canadians live) and renter household incomes.

Canada Mortgage and Housing Corporation released its spring rental market report today and the numbers show that private rental markets are failing to deliver the homes that Canadians so desperately need.

Three strikes – renters are out!

On all the numbers that count, it's bad news for the millions of Canadians who rent their homes:

- average rents across Canada rose from April 2007 to April 2008 at 3.7%, which is more than double the rate of inflation.
- the private rental vacancy rate for Canada has fallen to a critically low 2.6%, well below the commonly-accepted danger zone of 3%, and part of a four-year downward trend.
- the overall number of private rental units shrank during 2007 by more than 4,000 units, even though the population is growing and sky-high ownership costs are closing that option for most renters.

The rental market figures come on top of Statistics Canada data released yesterday which noted that the nation-wide affordable housing crisis is growing worse; and other data released by Statistics Canada on May 1st which reported that households incomes were stagnant or declining in most parts of Canada, even as income inequality continues to be deep and persistent.

Saskatoon sets dubious record

Saskatoon set the national record for the biggest annual jump in rents – a blistering 21.3% in just one year (that's more than 12 times the rate of inflation!).

Rents in Ontario grew by 1.6% in 2007, which is about even with inflation, and rents in Toronto grew by 1.2% - just under the inflation rate.

Growing affordability gap

The housing affordability gap – the difference between actual incomes and the incomes required to afford a private rental unit – is growing. And, as the affordability gap grows, renter households have less money to pay for other necessities such as energy, food, medicine, transportation and clothing.

The average private market rent for a typical, two-bedroom rental unit is $782. A renter household needs an annual income of $31,280 to afford that rent (based on the accepted standard of 30% of income towards shelter).

That's about $2,000 higher than the median (or middle) renter household income for Canada, which means that not only are low and moderate-income households being squeezed out of the rental market, but even middle-income households are finding it tough to secure an affordable place to call home.

The rental affordability gap in Ontario is about $7,000 annually, based on the new CMHC numbers. And the rental affordability gap for Toronto is more than $10,000 – which helps to explain the continuing near-record number of economic evictions in that city (more than 30,000 renter households face eviction annually in Toronto).

In the latest numbers, Calgary has eclipsed Toronto for the highest rents in the country. But a higher median renter household income in Calgary means that the affordability gap is about $7,000 – less than Toronto.

Adding up the numbers

The CMHC spring rental survey only measures part of Canada's rental market. Some renters live in rented condominiums or other forms of ownership housing (recent surveys have confirmed that rents in rented condos are higher than the private rental market, and the vacancy rates are lower) and others live in the rest of the so-called "secondary" rental market, which includes accessory suites and other

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types of housing that is often illegal, cramped and in many cases doesn't meet minimum housing standards.

Canada has a small social housing sector – about five per cent of all homes are in non-profit and co-operative housing, including municipal and government-owned housing projects. Some, but not all, of these units are subsidized.

Most low and moderate-income households, and many middle-income, are required to find a home in the private rental markets across the country. The rapid erosion of affordability in the private ownership markets (see the June 4, 2008, backgrounder from the Wellesley Institute: "Staggering one-in-four Canadian households in affordability squeeze") is putting increasing pressure on the private rental "universe", even as the overall number of units is shrinking.

In the words of CMHC as it released today's rental reports:

"The rising gap between the cost of home ownership and renting also kept demand strong for rental accommodation."

The federal government made massive funding cuts, dismantled and downloaded national affordable and rental housing programs in the 1990s, leaving Canada as the only major country in the world without a national housing strategy.

A preliminary report to the United Nations' Human Rights Council in March of 2008 documented Canada's violations of international housing rights and practices and called on the federal government to initiate a new national housing strategy.

Finding Room: Policy Options for a Canadian Rental Housing Strategy, co-edited by David Hulchanski and Michael Shapcott, brings together housing experts from a variety of sectors (including social housing, private sector and academics) and is recognized as the leading text on rental housing issues in Canada
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