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Unaccommodating

Rental Housing Wage in Canada

David Macdonald

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Executive summary

WHEN WE TALK about housing affordability the focus is usually on home ownership and high housing costs. Less discussed is the affordability crisis faced by the third of Canadian households (4.7 million families) who rent their homes. This paper looks at the extent of the problem by determining the hourly wage that a full-time worker must make to be able to rent an average two-bedroom apartment using no more than 30% of their income. We call this the rental wage.

The average rental wage across all of Canada is $22.40/hr. Again, this is the income you would need to bring home to be able to afford an average-priced two-bedroom apartment. For an average-priced one-bedroom apartment, the national average rental wage is $20.20/hr. Of course, if a worker doesn't have a full-time job the rental wage will be higher no matter where they live. Importantly, because all provincial minimum wages are far lower than these average rental wages, it is not possible for many full-time workers to afford to live anywhere without spending more than 30% of their income on rent.

In some cities the rental wage is much higher than the Canadian average. For example, a full-time worker in Vancouver, BC would need to make $35.43/hr to afford an average-priced two-bedroom apartment. A minimum-wage worker in Vancouver would have to work 84 hours a week to afford the average-priced one-bedroom apartment, or 112 hours a week for a two-bedroom apartment. The next highest average rental wages are found in Toronto, ON ($33.70/hr), Victoria, BC ($28.47/hr), Calgary, AB ($26.97/hr) and Ottawa, ON ($26.08/hr). A detailed, searchable map of rental wages across Canada is available on the CCPA website (www.policyalternatives.ca/rentalwages).

For this report, we have determined the rental wage in 795 Canadian neighbourhoods based on two-bedroom rental costs, as two-bedroom apartments are the most common type, making up 50% of all units. One-bedroom rentals make up 36% of apartments, with the bachelor and three-bedroom (or more) categories each making up less than 10% of units. With two-bedroom units being more common, it is easier to determine the rental wage in more neighbourhoods outside of Canada's biggest cities.

Everyone deserves a decent place to live. The two-bedroom apartment therefore serves as a proxy for various family types in Canada, since it offers a modest amount of room for multiple living arrangements. Many households rely on only one income but contain more than one person — single-parent families, for example, or an adult caring for a senior. A sole income earner working full time should be able to afford a modest two-bedroom apartment for their family in a country as rich as Canada. But in most Canadian cities, including Canada's largest metropolitan areas of Toronto and Vancouver, there are no neighbourhoods where it is possible to afford a one- or two-bedroom unit on a single minimum wage.

In fact, it is possible for a minimum-wage worker (e.g., a single parent) to comfortably afford the average two-bedroom rental rate in only 3% of the 795 neighbourhoods where rental and income data are available. In only 9% of neighbourhoods can a minimum-wage worker afford the average-priced one-bedroom apartment without spending more than 30% of their income on rent. Remarkably, of the 36 metro areas in Canada, 23 have no neighbourhoods where the average-priced one-bedroom is affordable to a minimum-wage worker, and 31 have no neighbourhoods where a two-bedroom apartment is affordable.

The rental wage neighbourhood maps in this report and the accompanying online database show a common reality known to all renters, which is that it is more expensive to live downtown — close to most jobs — than in outlying areas that necessitate longer commutes and often the purchase of a car. The notable exception is Montreal where more affordable neighbourhoods continue to exist on the island itself and public transit is abundant. The highest two-bedroom rental wages are found in Toronto's downtown Bay Street corridor ($73.17/hr), Vancouver's North False Creek neighbourhood ($60.93/hr) and the Toronto waterfront and island area ($53.01/hr).

If we exclude condominium rentals, the two-bedroom rental wage was a fairly constant $17/hr prior to 2001 when it started to go up, hitting close to $20/hour by 2018. Though the increase is a result of many factors, some of which differ from province to province, one of the most important contributors was the collapse of new purpose-built rental construction (apartment buildings). In the late 1970s and early 1980s, over 100,000 new rental apartments were being built a year. That number dropped to 10,000 in the 1990s due in part to federal cuts to affordable housing funding. Between 1983 and 1993, 49% of all new rental builds were affordable housing units paid for with public money. In the 1970s and 1980s, substantial federal tax incentives also encouraged many market rental units to be built.

In the past three years, Canada Mortgage and Housing Corporation has introduced four long-term programs devoted to new affordable units: the National Housing Co-investment Fund, the Rental Construction Financing Initiative, the Affordable Housing Innovation Fund, and the Federal Lands Initiative. These programs jointly promise to deliver more than 110,500 new units by 2027-28. Combined with other provincial and federal programs, 15,100 and 16,600 new affordable units received commitments in 2017-18 and 2018-19 respectively — three-quarters of the 20,000 affordable units built each year between 1970 and the early 1990s.

Direct rental supports like the new Canada Housing Benefit — a cash supplement to low-income renters — could take the edge off housing cost increases for some renters while we wait for federally funded construction programs to kick into gear. But the benefit's tight budget cap will necessitate the application of strict eligibility requirements that will push most low-income renters from the queue. In the long term, rental subsidies are no substitute for the construction of new affordable housing, which would increase vacancy rates, cool rental prices and allow more people to live closer to where they work.

Introduction and methodology

THE 2019 FEDERAL budget placed a strong emphasis on housing affordability and included multiple initiatives aimed at making it easier for "middle class" families to become homeowners. While the high price of buying a home is in the news daily, the increasing cost of renting an apartment draws less attention. This is odd given that 4.7 million of Canada's 14 million households (exactly one-third) rent their homes.[1] Renting is more common among lower-income families, but also young adults, recent immigrants, and people who have just moved to a new city.

High housing costs, having priced many millennials out of home ownership, are also contributing to increased demand for rental units — and increased rental costs. Rising rents alongside a shift from purpose-built rental builds to condominiums has made living in Canada's cities challenging for renters. The situation has spawned more frequent renovictions, whereby landlords kick out their current tenants claiming they need to renovate a unit — a legal approach — only to skip the renovations, hike the rent and put it unaltered back on the market.

This report attempts to gain a better view of the cost of renting in Canada down to the neighbourhood level. Simply listing average rental prices is not helpful, as the cost of living varies from province to province and city to city. Instead, we have determined the hourly wage a person would need to make to be able to afford a two-bedroom apartment in each of the 795 neighbourhoods examined here. This is the same approach taken by the National Low Income Housing Coalition in its annual "Out of Reach" study of affordable housing in the United States, now in its 30th year.[2]

The rental wage is calculated so that no more 30% of a tenant's pre-tax earnings are spent on rent, and assumes the tenant works a standard 40-hour week for all 52 weeks of the year. The 30% rent-to-income threshold is one of three criteria (alongside adequacy/state of repair, and suitability/correct number of rooms) used by Canada Mortgage and Housing Corporation (CMHC) to determine core housing need in Canada.[3] If a tenant (or tenant family) is spending more than 30% of their income on housing, they are said to be in core housing need, at least based on the financial component.

As two-bedroom apartments are the most common rental type in Canada, making up 50% of all units, it is simpler to report rental wages in more neighbourhoods (i.e., outside of urban centres) based on average two-bedroom rental rates. One-bedroom apartments make up 36% of the rental stock, with bachelors and three-bedroom (or more) apartments both making up under 10% each.[4] Where possible, we have determined the one-bedroom rental wage as well. Townhomes, which are less common and generally more expensive to rent, are excluded from this study.

A two-bedroom apartment also acts as a proxy for various family types in Canada, since it provides a modest amount of room for multiple people to live in. Many households rely on only one income but contain more than one person: a single parent, a single-income family or an adult caring for a senior, to list a few examples. A sole income earner working full time should be able to afford a modest two-bedroom apartment for their family in a country as rich as Canada. In too many cities, this is just not the case.

Rental data in this report is derived from CMHC's October 2018 urban rental market survey, which covers census metropolitan areas (CMAs) with populations above 10,000.[5] Only buildings with three or more rental units are included in the analysis.[6] CMHC also conducts a secondary rental market survey to determine average rents for condominiums.[7] The condominium and apartment datasets are rarely combined to create an average rent for both types, but that has been done in all figures in this report unless otherwise noted. Unfortunately, the average rent of secondary units (e.g., in a homeowner's house) are excluded due to lack of data.

Average rents are for both occupied and vacant units. Since in almost all city centres the rent for unoccupied units is much higher, this underestimates rental costs for new renters.[8] We have used provincial minimum wages at their October 2018 levels to match the timeframe of the rental data. Several provincial minimum wages have gone up since then, but as we will see below, these increases do not notably affect rental affordability.

Generally, median and average rental costs are quite similar in most of the neighbourhoods studied here, with the notable exceptions of Vancouver and Toronto where the average rent is significantly higher than the median.[9] We have attempted to overcome any shortcomings of using the average rent as the measure of central tendency by examining trends at the neighbourhood level. Readers can look for other trends, or simply check the rental wage in their neighbourhood, by consulting the interactive rental wage map on the CCPA website.

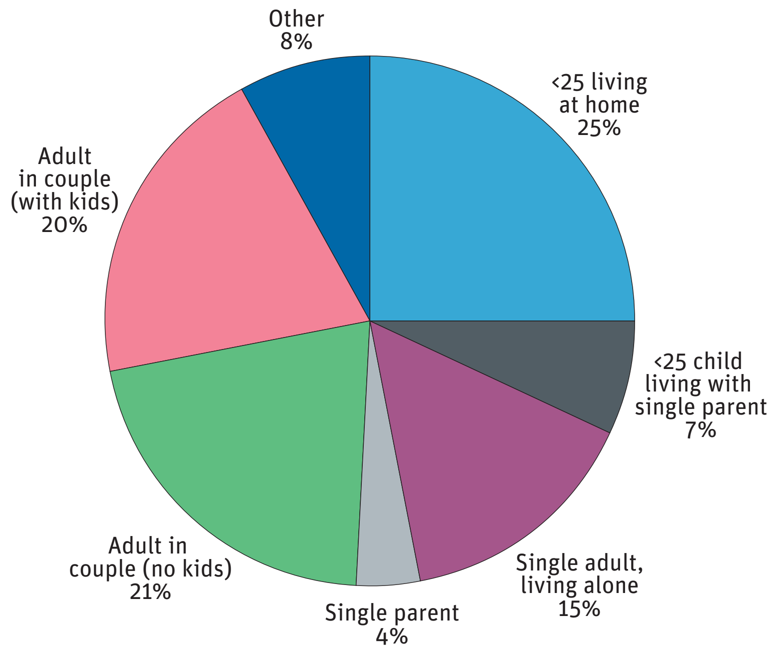
Rental housing wages across Canada

NATIONALLY, THE RENTAL housing wage — the wage a full-time, full-year worker would need to make to be able to afford an average-priced two-bedroom apartment using no more than 30% of their income — is $22.40 an hour. The rental housing wage for a one-bedroom apartment is slightly less at $20.20 an hour for a full-time worker. Of course, if a worker isn't working full time then their hourly wage would have to be higher than this to pay for an average apartment using 30% or less of their income.

Both of these rental wages (for a two-bedroom and one-bedroom apartment) are several dollars higher than any provincial minimum wage, and many people who work at or close to the minimum wage do not work full time. As we will explore in more detail below, it is therefore very likely that someone working within a few dollars of the minimum wage in any province is spending more than 30% of their income on rent. A quarter of all Canadians, less than a third of them under 25, earn within $3 of their province's minimum wage (see *Figure 1*).

Table 1 calculates the one- and two-bedroom hourly wages required to rent an average apartment in each of Canada's 36 census metropolitan areas (CMAs). The highest two-bedroom rental wages for a full-time worker are found in Vancouver, BC ($35.43/hr), Toronto, ON ($33.70/hr), Victoria, BC ($28.47/hr), Calgary, AB ($26.97/hr) and Ottawa, ON ($26.08/hr). In all these cities, the lower one-bedroom rental housing wage still far exceeds the provincial

FIGURE 1 Individuals earning within $3 of the minimum wage (by family type)



Source Labour Force Survey PUMF, Oct. to Dec. 2018. A quarter of all workers in Canada make within $3 of the minimum wage. Of those, a quarter are children with two parents, the remaining three-quarters are either adults or children of single parents helping supplement family income. For young adults, particularly those in the their early 20s, more affordable rents make it easier to move out.

minimum wage. For instance, a minimum-wage worker in Vancouver would have to put in 84 hours a week to afford the average-priced one-bedroom apartment or work 112-hour weeks for a two-bedroom apartment.

In almost every major city, the average one- or two-bedroom apartment would require a minimum-wage worker to put in over 40 hours a week. Among the 36 CMAs for which data are available, in only five cities can a full-time minimum-wage worker afford the average-priced two-bedroom apartment without working more than 40 hours a week, spending more than 30% of their income or living with others to help pay the rent.

As rental wages vary by province, there is also considerable variation in rental costs, and therefore rental wages, within cities. Of the 795 neighbourhoods that make up Canada's census metropolitan areas, it is possible for a full-time minimum-wage worker to afford a decent two-bedroom apartment in only 24 of them, or 3%.[10] Outside of Sudbury and St. Catharines (both in Ontario) these affordable neighbourhoods are all located in smaller Quebec cities. Among the 754 neighbourhoods where one-bedroom rental data are available, a full-time minimum-wage worker could comfortably afford to rent in only 70 of them (9%).

TABLE 1 Rental wage (hourly) by census metropolitan area, from highest to lowest two-bedroom wage

City	Minimum wage (Oct. 2018)	One-bedroom wage (full time)	Hours worked at minimum wage to afford one-bedroom apartment	Two-bedroom wage (full time)	Hours worked at minimum wage to afford two-bedroom apartment
Vancouver	$12.65	$26.72	84	$35.43	112
Toronto	$14.00	$27.74	79	$33.70	96
Victoria	$12.65	$21.33	67	$28.47	90
Calgary	$15.00	$20.98	56	$26.97	72
Ottawa	$14.00	$21.29	61	$26.08	75
Barrie	$14.00	$21.94	63	$25.60	73
Edmonton	$15.00	$19.89	53	$24.67	66
Oshawa	$14.00	$22.46	64	$23.96	68
Kitchener-Cambridge-Waterloo	$14.00	$20.21	58	$23.92	68
Kelowna	$12.65	$19.29	61	$23.87	75
Kingston	$14.00	$19.38	55	$23.08	66
Winnipeg	$11.35	$17.84	63	$22.97	81
Hamilton	$14.00	$18.99	54	$22.78	65
Regina	$11.06	$17.98	65	$22.62	82
Halifax	$11.55	$17.49	61	$22.57	78
Guelph	$14.00	$19.88	57	$22.25	64
Saskatoon	$11.06	$18.05	65	$21.63	78
London	$14.00	$16.86	48	$21.06	60
Peterborough	$14.00	$17.62	50	$20.71	59
Greater Sudbury	$14.00	$16.44	47	$20.23	58
Thunder Bay	$14.00	$15.98	46	$19.94	57
St. Catharines-Niagara	$14.00	$16.75	48	$19.92	57
Belleville	$14.00	$17.65	50	$19.75	56
Abbotsford-Mission	$12.65	$16.00	51	$19.65	62
Brantford	$14.00	$17.31	49	$19.27	55
Lethbridge	$15.00	$16.81	45	$18.87	50
St. John’s	$11.15	$15.21	55	$18.48	66
Windsor	$14.00	$14.85	42	$17.60	50
Quebec	$12.00	$14.06	47	$16.36	55
Montreal	$12.00	$14.12	47	$16.09	54
Moncton	$11.25	$13.42	48	$15.98	57
Gatineau	$12.00	$13.77	46	$15.98	53
Saint John	$11.25	$12.46	44	$14.52	52
Sherbrooke	$12.00	$9.88	33	$12.29	41
Saguenay	$12.00	$9.12	30	$11.69	39
Trois-Rivieres	$12.00	$9.15	31	$11.56	39

Source Employment and Social Development Canada, Canada Mortgage and Housing Corporation, and author’s calculations.

Table 2 shows the percentage of neighbourhoods in Canada's big cities in which a full-time minimum-wage worker can afford an average one- or two-bedroom apartment. In most large cities these neighbourhoods simply don't exist. For example, there are 117 neighbourhoods in the Greater Toronto Area (GTA), but in none of them could a full-time minimum-wage worker comfortably (and in many cases uncomfortably) afford either a one- or two-bedroom apartment. The same can be said for Metro Vancouver's 65 neighbourhoods.

The situation is somewhat better in Montreal where a full-time minimum-wage worker could afford the average one-bedroom apartment in a fifth of the city's 97 neighbourhoods. However, even here minimum-wage workers are shut out of decent two-bedroom apartments, with no neighbourhoods offering affordable rent in this category.

TABLE 2 Percentage of neighbourhoods with affordable rental units for a full-time minimum-wage worker

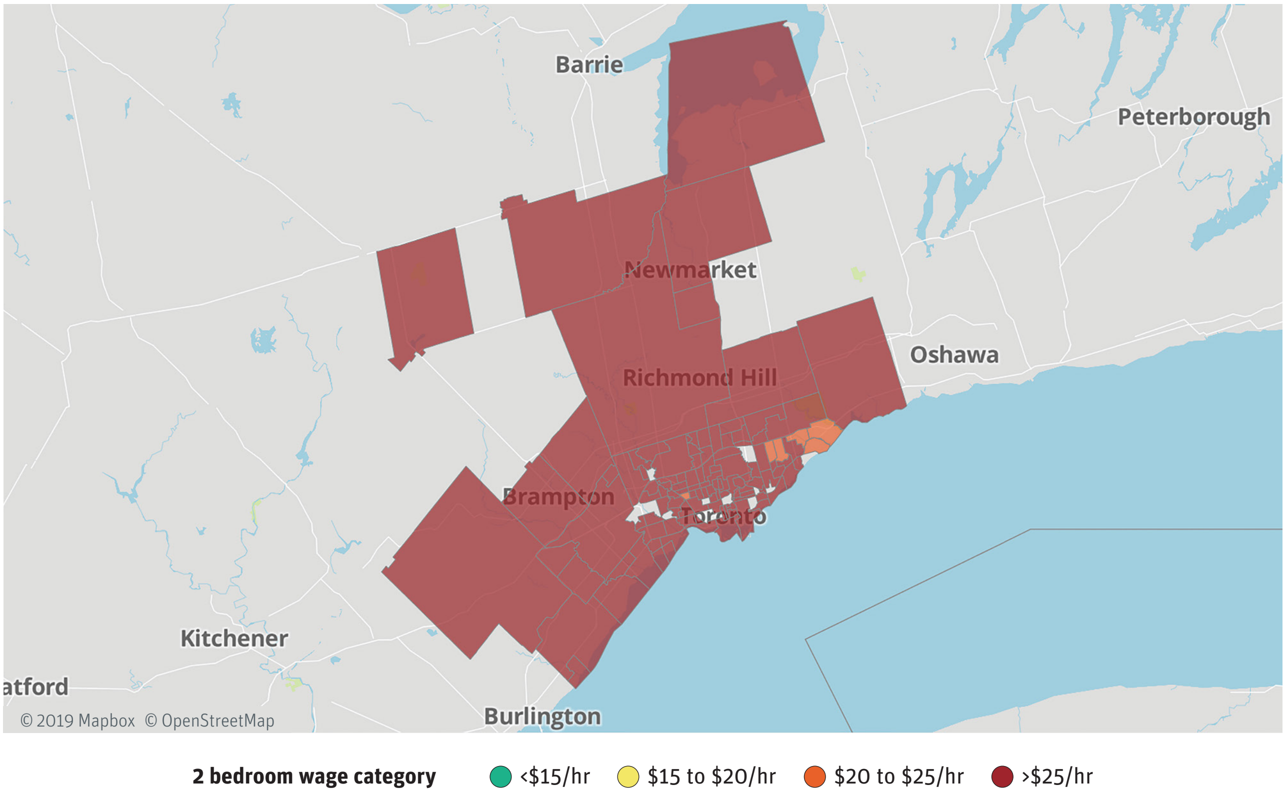
Census metropolitan area	One-bedroom affordable at minimum wage	two-bedroom affordable at minimum wage	Number of neighbourhoods in cma
Abbotsford-Mission	0%	0%	5
Barrie	0%	0%	4
Belleville	0%	0%	6
Brantford	0%	0%	6
Calgary	0%	0%	44
Edmonton	0%	0%	55
Guelph	0%	0%	4
Halifax	0%	0%	23
Hamilton	0%	0%	22
Kelowna	0%	0%	2
Kitchener-Cambridge-Waterloo	0%	0%	15
Lethbridge	0%	0%	11
Oshawa	0%	0%	4
Peterborough	0%	0%	4
Regina	0%	0%	20
Saskatoon	0%	0%	16
St. John's	0%	0%	3
Thunder Bay	0%	0%	8
Toronto	0%	0%	117
Vancouver	0%	0%	65
Victoria	0%	0%	24
Winnipeg	0%	0%	28
Ottawa	0%	0%	27
Kingston	8%	0%	13
Moncton	8%	0%	13
Saint John	13%	0%	8
London	14%	0%	22
Quebec	27%	0%	42
Windsor	33%	0%	13
Montreal	18%	0%	97
Gatineau	22%	0%	11
St. Catharines-Niagara	14%	5%	22
Greater Sudbury	30%	11%	9
Sherbrooke	100%	60%	10
Trois-Rivieres	92%	71%	14
Saguenay	100%	75%	8

Source Employment and Social Development Canada, Canada Mortgage and Housing Corporation, and author's calculations.

Case studies

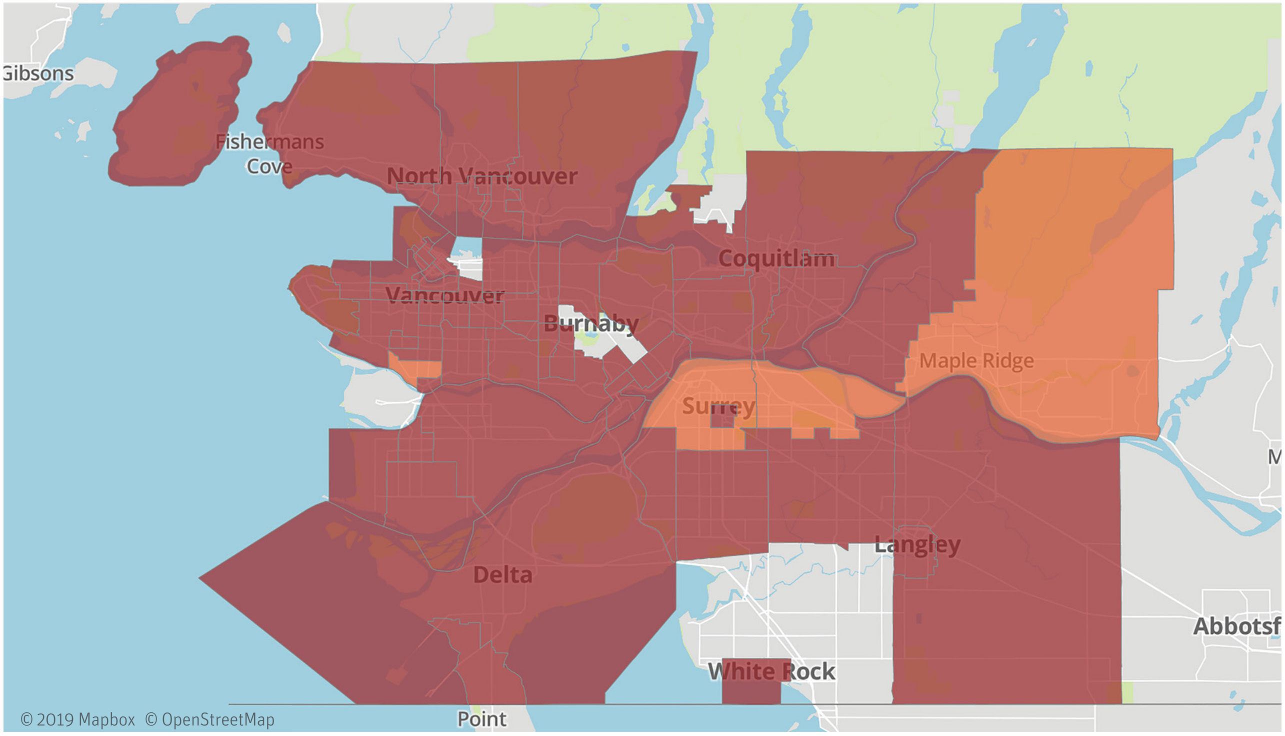
THE DATA UNDERLYING this report have been made available in an online mapping tool accessed from the Canadian Centre for Policy Alternatives website (www.policyalternatives.ca/rentalwages). Clicking on a province on the map opens a list of cities for which rental data are available, along with those cities' two-bedroom rental wages. Clicking on any city in the provincial list will then pull up a detailed map of its neighbourhoods colour-coded by two-bedroom rental wage. Several of those cities are examined in more detail here.[11]

FIGURE 2 Greater Toronto Area two-bedroom rental wage by neighbourhood



The three neighbourhoods in the Greater Toronto Area with over 10,000 apartments each are Downsview, Mount Pleasant West, and Mississauga Centre, although none are particularly affordable. The Downsview two-bedroom rental wage is $28/hr and the Mississauga Centre rental wage is $31/hr; in both neighbouhoods a full-time minimum-wage worker would need to clock over 80 hours a week to afford this rent. Renting the average two-bedroom apartment in Mount Pleasant West would require a wage of $43/hour. In no GTA neighbourhood could a full-time minimum-wage worker find an affordable one- or two-bedroom apartment to rent. Many of the Scarborough neighbourhoods require a lower rental wage of between $23/hr and $25/hr, but this is nearly $10/hr above the current Ontario minimum wage of $14/hr. These neighbourhoods also don't contain many apartments.

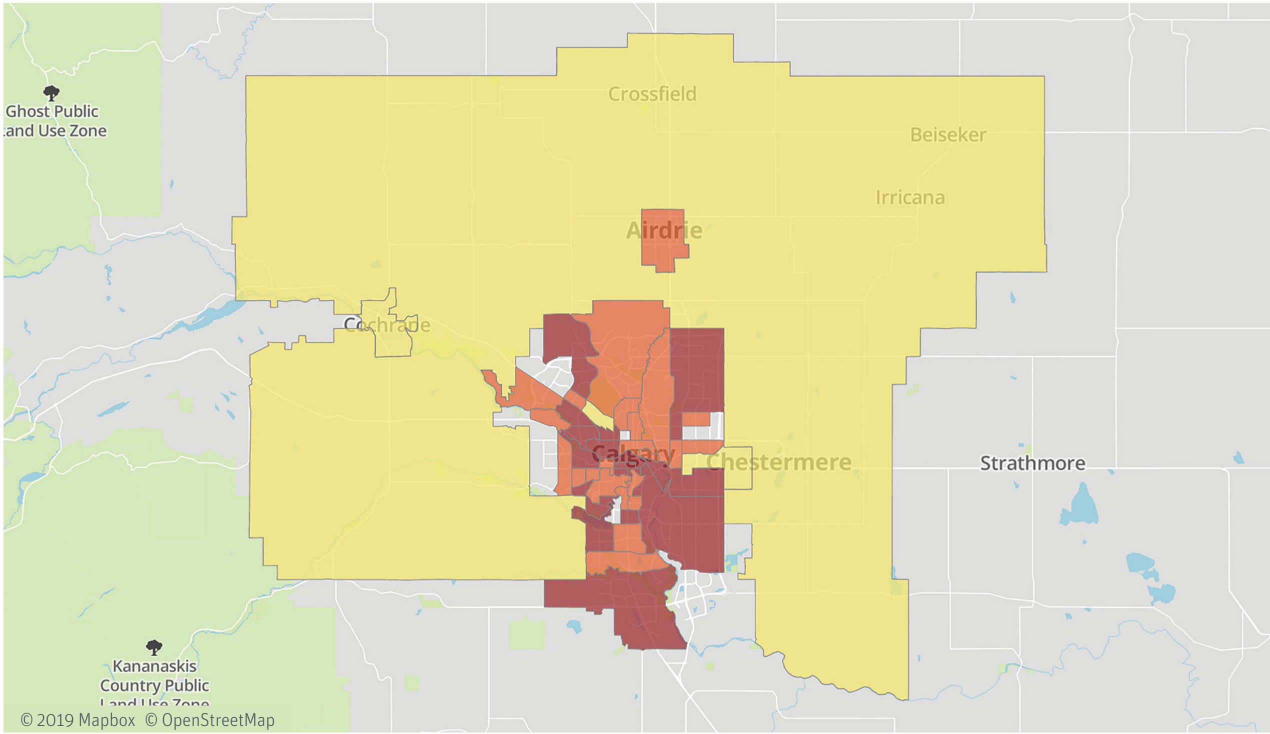
FIGURE 3 Metro Vancouver two-bedroom rental wage by neighbourhood



2 bedroom wage category <$15/hr $15 to $20/hr $20 to $25/hr >$25/hr

Like in the Greater Toronto Area, the Vancouver neighbourhoods containing over 6,000 apartments also have among the highest rental wages: Downtown Central ($46/hr), English Bay ($46/hr) and South Granville ($40/hr). Some smaller rental neighbourhoods are slightly cheaper: Kitsilano–Point Grey ($43/hr), Mount Pleasant ($36/hr), and Hastings-Grandview-Woodlands ($31/hr). But these are well above BC's minimum wage of $12.65 in October 2018.

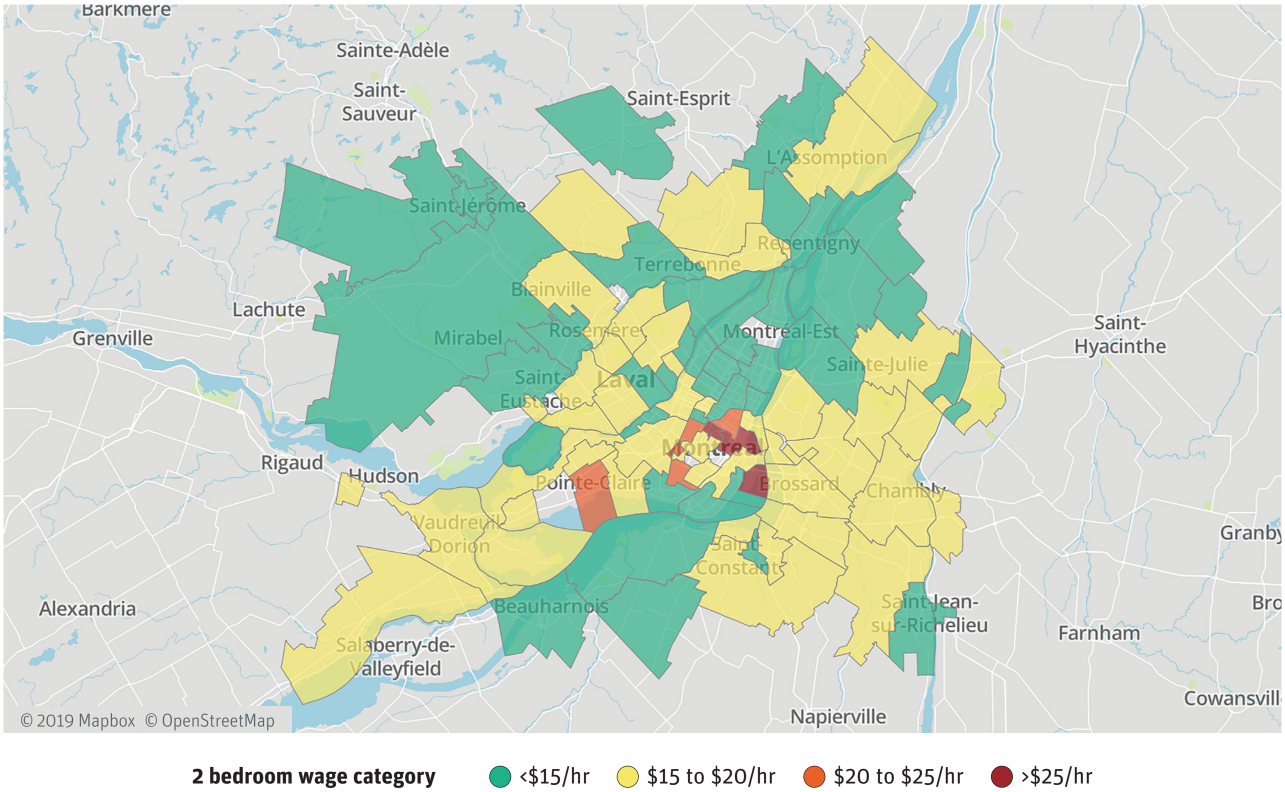
FIGURE 4 Calgary two-bedroom rental wage by neighbourhood



2 bedroom wage category <$15/hr $15 to $20/hr $20 to $25/hr >$25/hr

In none of Calgary's 44 neighbourhoods can a full-time minimum-wage worker afford an average one- or two-bedroom apartment. The two largest rental neighbourhoods of Mission/Beltline and Downtown/Eau Claire are unfortunately also the most expensive, with two-bedroom rental wages of $32/hr and $31/hr respectively. The cheapest two-bedroom rents are found in a broad swath of largely rural areas on the outskirts of the city where it would still require a full-time wage of $18/hr to comfortably pay your rent (using no more than 30% of income). But there are almost no apartments for rent there, and the rental wage is still $3/hr higher than Alberta's $15/hr minimum wage.

FIGURE 5 Montreal two-bedroom rental wage by neighbourhood

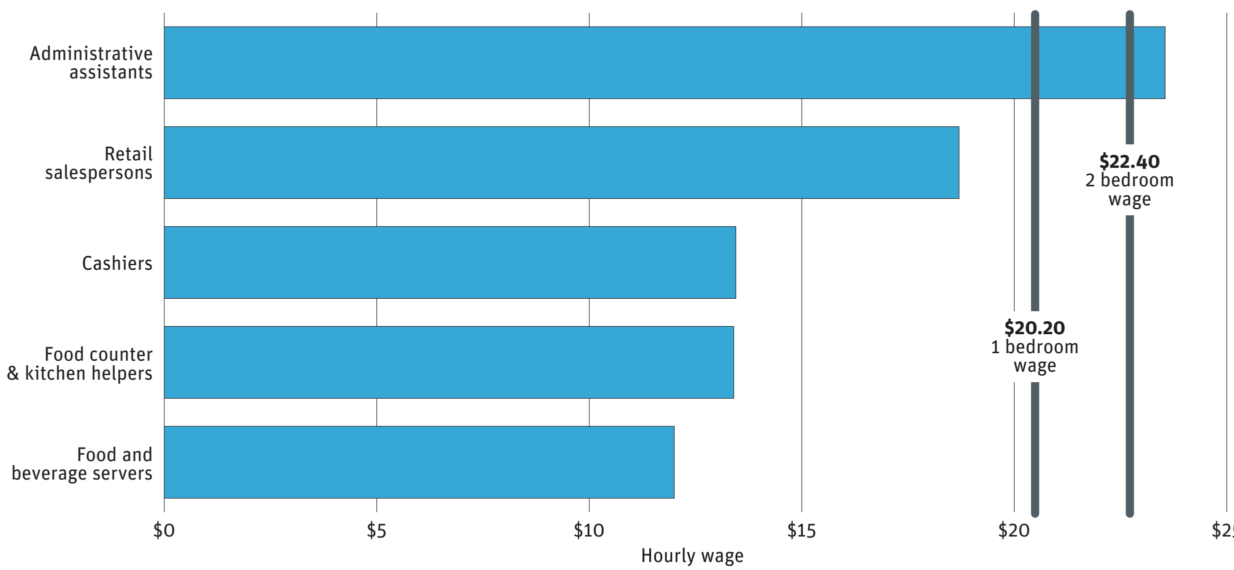


Unlike other large cities in Canada, in over half of Montreal neighbourhoods a full-time worker making $15/hr could comfortably afford to rent a two-bedroom apartment (see the neighbourhoods in green). Several of those neighbourhoods are on the island itself and close to mass transit. Montreal also has a much higher concentration of apartments per neighbourhood. For example, two neighbourhoods have over 40,000 units each. One of them, Rosemont/La Petite-Patrie, offers a two-bedroom wage of just under $15/hr and is quite centrally located, which is rare outside of Quebec cities.

Employment and the rental wage

Canada's five most common occupations, representing 1.8 million workers or 12% of all jobs, are also overwhelmingly low-paid and often not full-time. The rental wage one would need to make to afford a one- or two-bedroom apartment is far above the average hourly wages in these sectors. If a worker is not working full time, the hourly rental wage is even higher. Higher minimum wages, particularly in Ontario and Alberta, have a strong impact on these occupations. But until those wages are pushing $20 an hour, and more of the available jobs are full-time, rental costs will remain a significant burden on many workers.

FIGURE 6 Hourly wage of Canada's largest five occupations



Source Statistics Canada table 14-10-0001-01 (2017), Canada Mortgage and Housing Corporation, and author's calculations.

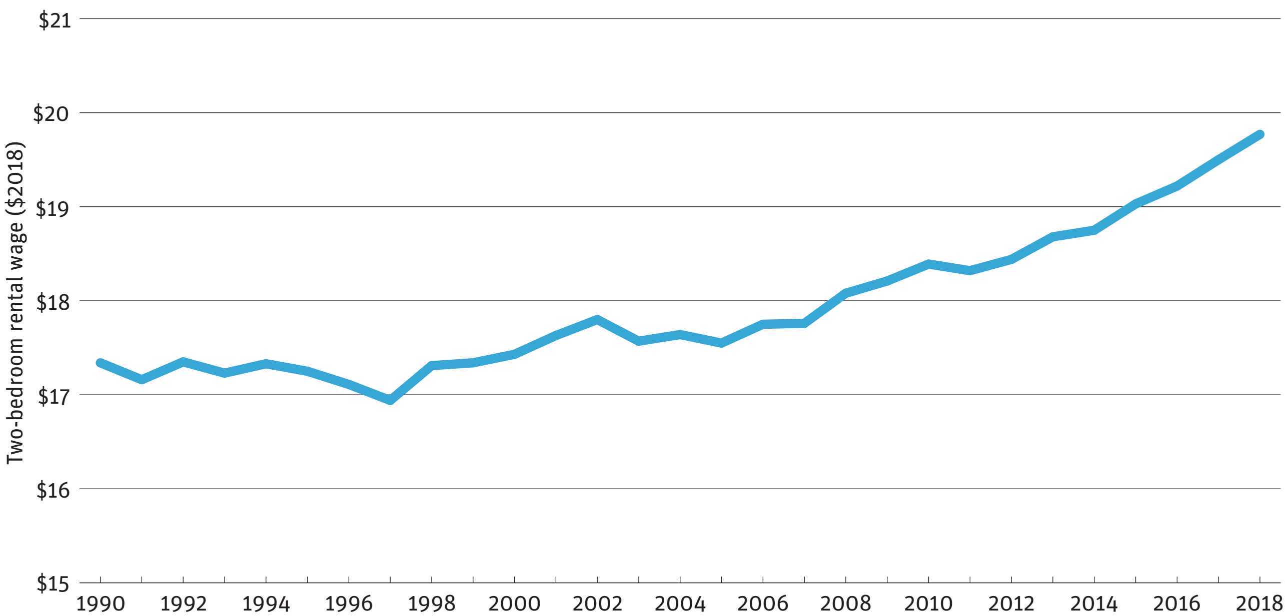
High housing prices, high rents

PLENTY OF ATTENTION has been focused in recent years on the increase in Canadian real estate prices since the early 2000s. But the trend in rentals is largely the same. The average rental wage (excluding rental condos) for a two-bedroom apartment was fairly consistent through the 1990s at just over $17/hr (after adjusting for inflation). However, just like house prices, the rental wage has risen sharply since then. The two-bedroom rental housing wage hit $17.63/hr in 2001, continued upward and now sits at $20/hr. After adjusting for inflation, the rental wage today is $2.53/hr higher than it was on average in the 1990s.

On the demand side, the number of renters in Canada fell between 1996 and 2006, probably for the first time in Canada's history.[12] Strong wage growth, significantly declining interest rates, and modest housing prices in this period (with the potential for housing income gains) enticed more renters into homeownership than would normally be the case. These and other factors helped fuel a residential real estate boom in the homeowner sector. But by the mid-2000s, escalating housing prices were keeping more people renting longer and put a higher floor on the income required to buy a home.

Since the 1990s there has been a significant shift in the supply of rental units as developers shifted decisively from purpose-built rentals (apartment buildings) to condominiums. Purpose-built rental construction peaked in

FIGURE 7 The two-bedroom rental wage over time, Canada (ex condominiums)



Source Canada Mortgage and Housing Corporation's Canadian Housing Observer, and author's calculations. This series includes 10,000+ communities, i.e., more than the census metropolitan area data used elsewhere in this report.

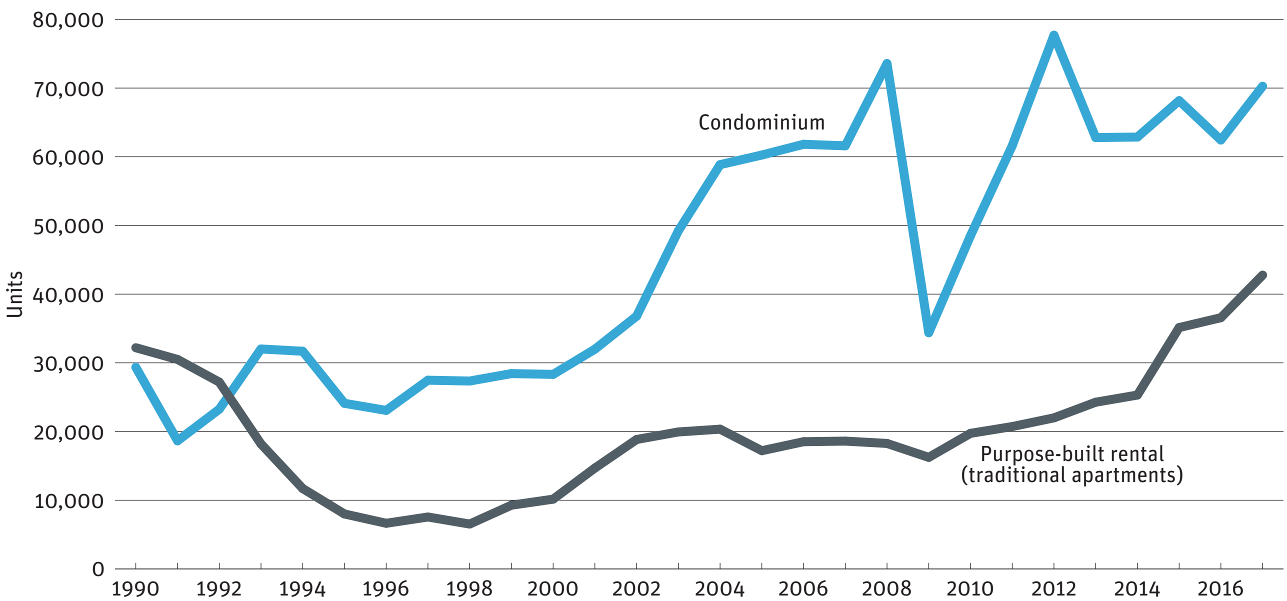
the late 1960s and early 1970s, when over 100,000 new units were being built per year, and has been declining since then.[13]

As *Figure 8* shows, the construction of condominiums stayed relatively constant at 30,000 units a year throughout the 1990s. However, at the turn of the millennium condo starts rocket up to 60,000–70,000 units a year, broken only for the Great Recession years of 2009-10. The increase in condo starts correlates with the run-up in residential real estate prices generally, which also ramps up in the early 2000s. This is the same timeframe as the increase in the rental wage.

The construction of purpose-built rental units plummeted in the early 1990s largely due to successive cuts to social housing by the Mulroney government starting in 1990. By 1993, all new social housing funding was ended except for that dedicated to on-reserve housing.[14] Several provinces, notably Ontario, extended affordable housing funding after the federal monies dried up, but eventually this funding was stopped as well.

By 2015, purpose-built rental starts had returned to their 1990 levels. However, there are 10 million more people living in Canada now than there were three decades ago. On a per capita basis, therefore, today's rental starts fill less of the need for new units.

FIGURE 8 Traditional apartment vs. condominium starts in Canada



Source Canada Mortgage and Housing Corporations' Canadian Housing Observer, and author's calculations.

Of course, condos can also be rented and often are as part of an investment strategy. In Toronto, Vancouver and Calgary, condos have become an important source of rental units. In recent years, new condo builds are often mismatched with actual housing needs; in the worst cases they are specifically marketed to overseas investors, who may leave them empty while they appreciate in value.

Unfortunately, the increase in condo rentals has also led to less secure housing for many renters. In heated real estate markets, unpredictable rent increases are common, including hikes that violate provincial rules. In some provinces, like Alberta, landlords can increase the rent by any amount they choose if there is no lease in place. This effectively allows landlords to evict tenants on a whim.

In other provinces, like Ontario and BC, landlords are largely restricted to inflationary increases in rent, which technically provides more predictability to tenants. However, "renovictions" — where landlords kick out all their tenants based on a claimed need to renovate, then hike rents for new occupants (whether or not the renovations took place) — or "N12 evictions" — permissible when a family member requires the unit — are all-too-common tools used by condo landlords in particular to increase rents while undermining both tenant security and the affordability of housing.[15]

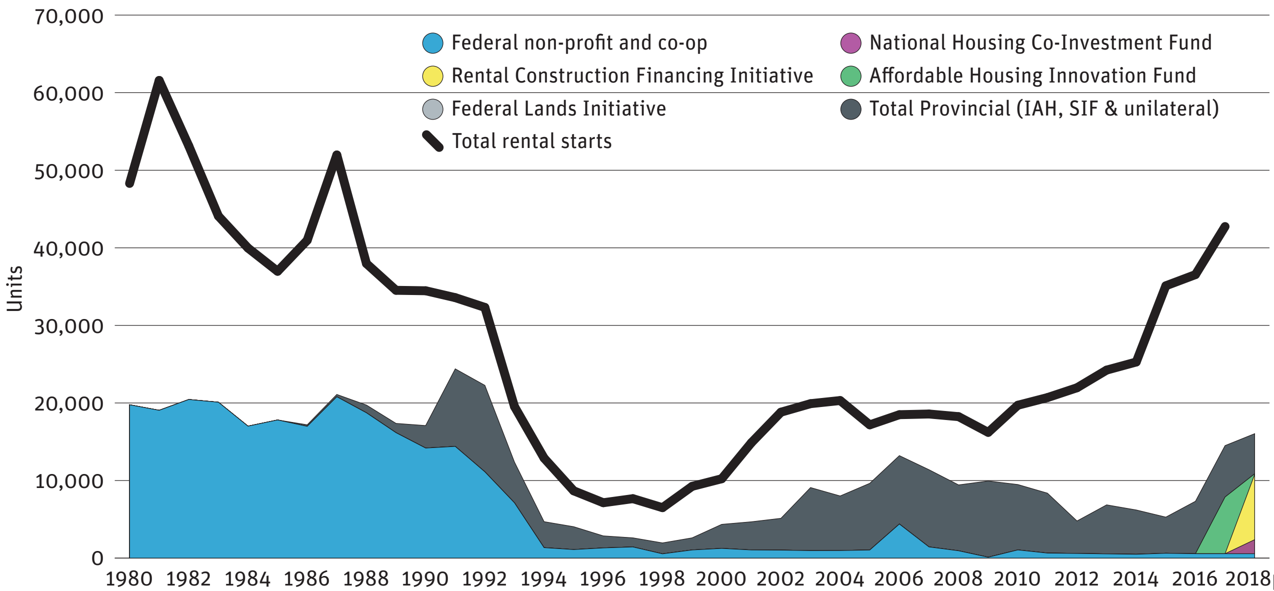
Federal housing policy and rental affordability

AS NOTED, THE drop in purpose-built rentals is linked to cuts in CMHC spending on affordable rental housing from 1990 to 1993. *Figure 9* shows both the total number of purpose-built rentals and the number of affordable rentals built with public dollars. Between 1980 and 1993, affordable rental units made up on average 49% of all rental unit starts. Clearly, public policy plays an important role in the quantity and type of rental housing in Canada.

Federal tax incentives and loan programs to private investors, particularly those introduced in the 1970s and 1980s, also played a pivotal role in purpose-built rental construction over that period.[16] Similar provincial programs existed in Ontario, Quebec and British Columbia, but in almost all cases they had ended by 1990. The introduction of the federal goods and services tax (GST) in 1991 disincentivized new rental construction, as the GST was partially rebated on the sale of some condos to private investors while largescale private rental investors bore the full cost of the tax when they bought an apartment building from a builder.

Today, private investors can still access public subsidies to build rental stock in some communities. The City of Vancouver, for instance, incentivizes rental (versus condominium) construction by offering lower development charges to builders as long as rents do not exceed certain caps established

FIGURE 9 Public spending on affordable housing and purpose-built rental starts in Canada



Source Canada Mortgage and Housing Corporation's (CMHC) Canadian Housing Observer; Greg Sutton's *Still Renovating* (2016), tables 8.3, 8.4, 8.5; CHMC Annual Report 2018; and author's calculations. Affordable rental housing figures are financial commitments, while "total rental starts" are actual building starts for purpose-built rentals, with likely timing differences between the two. 2018 values are predicted.

by the city, which vary based on the neighbourhood.[17] While these units add to the rental stock, extremely low vacancy rates in Vancouver ensure rents remain high in these subsidized new rental buildings.

Broadly speaking, the construction of purpose-built rental units is heavily dependent on public policy as opposed to market forces. As public funding collapsed in the 1990s, both through the end of tax incentives and funding for affordable housing, so did the construction of new purpose-built rentals. When public funding from provincial and new CMHC programs recovered somewhat in the 2000s, so did the number of rental starts. Since 2011, however, increased rental starts have not been due to public funding or tax incentives, but rather answer a demand for new, mostly luxury rentals for people priced out of the housing market.

Since 2016, the federal government has made several efforts to boost the stock of affordable housing, first through its stop-gap Social Infrastructure Fund (SIF) and then the National Housing Strategy. Other programs are meant to both repair and create new affordable housing units. The four post-SIF programs that are meant to create new affordable rental units are the National Housing Co-investment Fund (NHCF), Rental Construction

TABLE 3 Status of new CMHC affordable housing programs (new units only)

	National Housing Co-investment Fund	Rental Construction Financing Initiative	Affordable Housing Innovation Fund	Federal Lands Initiative
New units with committed financing	1,813	8,412	7,384	-
New unit goal	60,000	42,500	4,000	4,000
Percentage of goal that has commitments	3%	20%	185%	0%
Percentage of the program's timeframe that is complete	11%	20%	60%	33%
Program start and end dates	2018 to 2027/28	2017 to 2027/28	2016 to 2020/21	2018 to 2020/21

Source Author's correspondence with the Canada Mortgage and Housing Corporation, and author's calculations.

Financing Initiative (RCF), Affordable Housing Innovation Fund, and Federal Lands Initiative.[18]

Some of these programs have been more successful than others, as outlined in *Table 3*. The Affordable Housing Innovate Fund, for instance, has exceeded its target number of new units, while the Federal Land Initiative has failed so far to commit financing to any new units. The larger NHCF is slowly putting money to work with 3% of its 60,000-unit goal committed. The RCF is roughly on track with commitments for 8,412 units. Both of the larger RCF and NHCF took time to get up and running; with the decade-long timeframes for new construction, we can expect more units to be built in the late 2020s.

We can see the impact of these new federal programs in the last two years of *Figure 9*. Combined with pre-existing provincial programs, there were financial commitments for 15,100 new affordable units in 2017 and 16,600 in 2018. These are highpoints for affordable housing units, not seen since the early 1990s, but still only three-quarters of the 20,000 units that were being created annually by CMHC throughout the 1980s. In other words, the programs are working, but they have a long way to go to make up for the dearth of affordable housing construction since 1993.

However, if the remaining targets for CMHC programs from *Table 3* roll out as planned over the next eight years, and if on-reserve new unit construction continues apace and unilateral provincial programs are maintained, this would result in 15,400 new affordable units a year, slightly less than in 2018. While this is more than any year since the early 1990s, it is also still less than the 20,000 high-water mark of the 1970s and '80s.

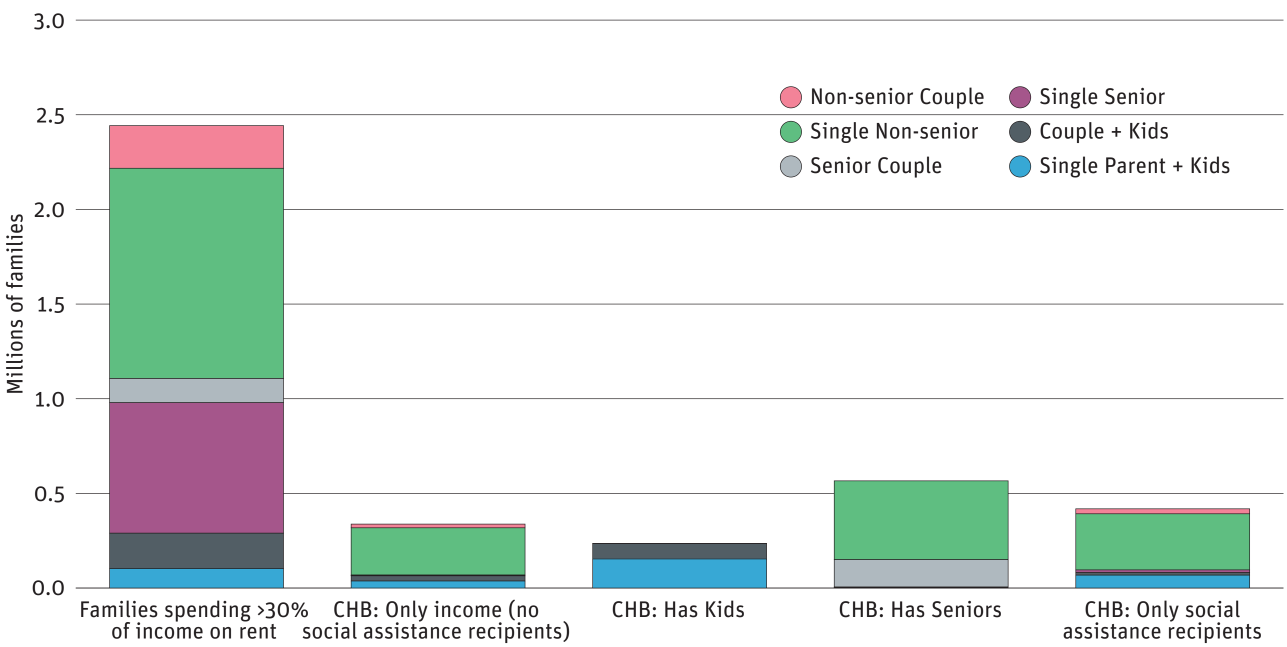
Rental support and the Canada Housing Benefit

BESIDES THE CONSTRUCTION of new rental units, the federal government is negotiating Canada Housing Benefit funding arrangements with the provinces and territories. The cash transfer to families who rent, which will differ in value by province/territory, is aimed at providing an average benefit of $2,500 a year to 300,000 families. The government appears to want to cap the cost at about $750 million a year. An average benefit of $2,500 a year would cut $4.01/hr off the average Canadian rental wage of $22.40/hr.

However, capping the program at 300,000 families leaves far more than that spending above 30% of their income on rent. In 2020, of the estimated 4.8 million families who will rent their homes, 2.4 million will be considered in core housing need based on the income component of CMHC's definition.[19] In simple terms, the Canada Housing Benefit's annual $750 million cap will help, at most, 12% of those 2.4 million families. Moreover, midrange CMHC projections show that between 43,000 and 47,000 new renters are expected to join the hunt for rental housing each year.[20]

The difficulty for the present negotiations between the provinces/territories and the federal government is to decide which families will get the Canada Housing Benefit. British Columbia, Quebec, Alberta, Manitoba and Saskatchewan already have rental assistance programs in place with varying eligibility requirements (e.g., for seniors, families with children, people with disabilities, or related to income and the shelter-to-income ratio).[21]

FIGURE 10 Scenarios for a Canada Housing Benefit (2020)



Source SPSDM 27.0 projected to 2020, and author's calculations.[27]

Several provinces also have a portion of social assistance payments devoted to rent, another type of rental supplement. The existence of these and other non-federal programs raises the possibility that the provinces will simply claw back the new federal benefit—something that has happened with federal child benefits in the past. The Housing Partnership Framework signed with the provinces, requiring matching provincial funding, may mitigate that impulse.[22]

Figure 10 examines the impact of several hypothetical eligibility restrictions on the Canada Housing Benefit that would limit the program to reaching 300,000 families, as planned, and keep spending at a maximum of $750 million a year. As we can see, no matter how the funds are divided, large numbers of family types will naturally be excluded from the benefit.

If, for instance, the benefit were for all families who are not currently receiving social assistance, but the money was clawed back based on income alone, then almost all the beneficiaries of the CHB would be non-seniors who live alone.[23] This group of working-age single adults make the least amount of money (income) and receive few government transfers, which would put them first in line for the benefit.

If the new Canada Housing Benefit was devoted only to social assistance recipients, again the primary beneficiaries would be single adults, although single-parent families would also be impacted.[24] However, provinces that already have a rental component to their social assistance may be unlikely to layer a new rental benefit on top of it.

In another scenario, the rental benefit could target families with children. There are 290,000 families with children in Canada whose rent consumes more than 30% of their income. Designing a rental supplement based on the presence of children and then family income would aid single-parent families in particular, with two-parent families being less likely to benefit due to their higher incomes.[25] In this case, the majority of families spending more than 30% of their income on rent do not benefit at all as they do not have children.

Another approach would be to provide rental support only to families that include one or more seniors. There are over 800,000 senior households in Canada (single and couples) who spend more than 30% of their income on rent. A rental supplement for seniors that was clawed back based on income would go almost exclusively to single-senior families. Senior couples, who still often spend a lot of their income on rent, would see no benefit in this scenario; likewise for parents, couples or working singles paying high rents.[26]

These scenarios are not policy recommendations but are meant to be illustrative of the implications of applying eligibility criteria to the Canada Housing Benefit, although more complete modelling is available elsewhere.[28] Different provinces will no doubt choose different criteria and introduce additional requirements. But broadly speaking, any rental supplement will have to be rationed if the budget is capped at $750 million a year.

A supplement to low-income families who rent is a positive development as long as rent controls stay in place, ensuring the benefit flows to families and not landlords. Rental support can be particularly useful as a stopgap linked to new subsidized housing construction, as the building of new affordable housing takes time. However, the tight eligibility criteria driven by budget caps will likely blunt much of the program's positive impact, particularly for those groups who don't meet the requirements.

Conclusion

HIGH HOUSING COSTS affect renters as much as they do current and future homeowners. Government policy designed to make housing affordable needs to acknowledge skyrocketing rental costs. This report puts rising rental costs in a national perspective by determining the hourly wage a person would have to make, in 795 neighbourhoods across the country, to afford an average-priced two-bedroom apartment. We call this the rental wage for that neighbourhood, which in most Canadian cities far exceeds the provincial minimum wage.

New Canada Mortgage and Housing Corporation programs are building more affordable rental housing but the number of new units is modest by historical standards, and insufficient for current and future need. The Affordable Housing Innovation Fund has had early success in financing new units. On the other hand, the larger National Housing Co-investment Fund has been slower off the mark. The long timeframe of this latter program may contribute to complacency about how desperately new units are needed.

If these CMHC programs deliver on their new-build promises, in combination with other federal and provincial programs, they will likely produce on average 15,400 new affordable units a year through 2027-28. While this construction rate is higher than at any point since 1993, it is still lower than the 20,000 new affordable units that were built each year from the 1970s through the early 1990s, when Canada's population was significantly smaller.

When it comes to the government's efforts to subsidize high rental costs, the Canada Housing Benefit's target of 300,000 beneficiaries is insufficient. As negotiations on the shape and size of the benefit continue with the provinces and territories, a doubling or tripling of that target should be considered.

The CHB is a promising stopgap measure while new affordable housing construction gets underway. However, with such a tight cap, rationing will likely blunt the benefit's effectiveness. Ultimately, there is no substitute for building new dedicated affordable housing, which would cool down rental prices and increase the stock of housing available to the millions of families who choose or who are forced to rent.

Notes

1 Statistics Canada, Canadian Income Survey 2016, Public Use Microdata File.

2 See, for example, Andrew Aurand, Abby Cooper, Dan Emmanuel, Ikra Rafi, Diane Yentel, "Out of Reach: The High Cost of Housing," National Low Income Housing Coalition, 2019.

3 For the full definition, see Statistics Canada, Census of Population 2016, "Core Housing Need."

4 These figures count both condominium and purpose-built rental units for census metropolitan areas (CMAs) with populations over 10,000. See Canada Mortgage and Housing Corporation, Urban Rental Market Survey Data, Number of Units, October 2018.

5 Canada Mortgage and Housing Corporation, Urban Rental Market Survey Data, October 2018.

6 Canada Mortgage and Housing Corporation, Housing Market Information Portal, Methodology for rental market survey, accessed July 4, 2019: https://www03.cmhc-schl.gc.ca/hmip-pimh/en/TableMapChart/RmsMethodology.

7 This survey is only conducted in the following cities: Halifax, Montreal, Gatineau, Ottawa, Toronto, Hamilton, Kitchener-Cambridge-Waterloo, London, Winnipeg, Regina, Saskatoon, Edmonton, Calgary, Kelowna, Vancouver and Victoria. Adjustments are made to average rents in these cities as well as to provincial and national figures unless otherwise noted.

8 Canada Mortgage and Housing Corporation, Average Apartment Rents (Vacant & Occupied Units), October 2018.

9 See Figure 1 in Ron Kneebone and Margarita Wilkins, "The very poor and the affordability of housing," University of Calgary, School of Public Policy research papers, 9 (27), Sept. 2016.

10 CHMC defines "neighbourhoods" as groupings of census tracts, which are Statistics Canada geographies. The geographic size of a neighbourhood varies so that in some cases they can span large areas that wouldn't colloquially be called a "neighbourhood," although the goal is to have roughly similar populations in each.

11 The source data for all maps, and the neighbourhood dimensions, are from Canada Mortgage and Housing Corporation, with the author's calculations.

12 Greg Sutton, *Still Renovating: A History of Canadian Social Housing Policy*, McGill-Queen's University Press, 2016, Figures 1.3 and 3.2.

13 See table 8.3 of Greg Sutton, Still Renovating: A history of Canadian social housing policy, McGill-Queen's University Press, 2016.

14 Ibid., Chapter 6.

15 See Shane Dingman, "Evicted: The loophole Ontario landlords use to force tenants out," *Globe and Mail*, May 1, 2019.

16 The Limited Dividend Program ran from 1946 to 1974, the Assistance Rental Program ran from 1975 to 1979, the Multiple Unit Residential Building program ran from 1974 to 1979 and 1980 to 1981, the Canada Rental Supply Plan ran from 1983 through 1985. See Steve Pomeroy, Greg Lampert and Kathleen Mancer, "Private Rental Policies and Programs: Review of the International Experience", Canada Mortgage and Housing Corporation, 1998.

17 Jen St. Denis, "This program added thousands of rental units to Vancouver. Now some councilors want to scrap it because the rents are too high," *Toronto Star*, March 21, 2019.

18 More details on each program are available at CMHC's National Housing Strategy website: https://www.cmhc-schl.gc.ca/en/nhs/guidepage-strategy/about-the-initiatives?guide=CREATE%20NEW%20HOUSING%20SUPPLY

19 SPSDM 27.0, year 2020, and author's calculations.

20 Based on the Canadawide "constant" scenario from CMHC, Number of Households by Tenure and Ownership Rate: 1976–2036, 2013 update.

21 Kelly Pasolli, Thomas McManus, Molly Doan, Max Palamar & Karen Myers, "National Housing Collaborative Affordability Options Research Paper," Social Research and Demonstration Corporation, October 2016, Table 1.

22 Canadian Intergovernmental Conference Secretariat, Federal/Provincial/Territorial (FPT) Housing Partnership Framework, April 9, 2018.

23 For example, a $3,500 benefit for renters only with a clawback rate of 30 cents/dollar of net income, phasing out at $11,700, would help 342,000 families with an average benefit of $2,210 a year (excluding social assistance recipients). Of those beneficiaries, 259,000 would be families who are single non-seniors (SPSD/M 27.0).

24 For example, a $6,000 benefit for renters receiving social assistance, with a clawback rate of 30 cents/dollar of net income that phases out at $20,000, would help 420,000 families with an average benefit of $1,940 a year.

25 For example, a $7,000 benefit for renters with children, with a clawback rate of 30 cents/dollar of net income that phases out at $23,330, would help 234,000 families with an average benefit of $2,990 a year.

26 For example, a $7,500 benefit for renters with seniors in the family, with a clawback rate of 30 cents/dollar of net income that phases out at $25,000, would help 687,000 families with an average benefit of $1,120 a year.

27 This analysis is based on Statistics Canada's Social Policy Simulation Database and Model 27.0. The assumptions and calculations underlying the simulation were prepared by the author and the responsibility for the use and interpretation of these data is entirely his. For more details on the individual scenarios, please contact the author at the CCPA.

28 For detailed Ontario analysis, see Michael Mendelson, "Designing a housing allowance program," Caledon Institute of Social Policy, March 2016; and Karen Myers, "Income Security: A Roadmap for Change," Government of Ontario, October 2017, pp. 74–78.

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