

About the Housing Crunch: Federation of Canadian Municipalities



The most urgent financial issue facing Canadians today is the high cost of housing. High home prices and record levels of household debt are pricing a growing number of Canadians out of homeownership, which places mounting pressure on an already crowded rental market and on crumbling affordable housing units. For many of the most vulnerable in our society, shelters become their only option. Whether it's attracting new workers and creating jobs or supporting a rapidly aging population and our most vulnerable citizens, municipalities understand that a stable and secure housing market is essential to community and economic growth.

What's at stake?

- The Bank of Canada is calling the imbalance in the housing market the number one domestic risk facing the economy.
- More than a decade of stagnant investment in rental housing and the pending loss of \$1.7 billion annually in federal housing dollars are leaving fewer and fewer housing options for Canadians.
- 300,000 Canadians are homeless every year.

What are FCM and the Big City Mayors' Caucus calling for?

FCM and the Big City Mayors' Caucus are calling for all orders of government to work together on a long-term plan that will set the course for action and relieve Canada's housing crunch — a long-term plan that will:

- address the rising costs of housing
- improve predictability of investments
- address the scarcity of rental housing
- ensure renewal of the expiring federal dollars for affordable housing
- fulfill the 2013 budget commitment to work with FCM to reduce homelessness

What about smaller communities?

Smaller communities are facing similar challenges. Resource communities are booming while the cost and availability of housing for needed workers is prohibitive. Other communities are seeing a rapidly aging population create a labour force gap and the increasingly important role of housing to attract new Canadians and other young families.

What are municipalities doing about this problem?

Municipalities have been working to increase and preserve the supply of rental and affordable housing through measures such as tax exemptions, streamlined approvals, intensification and redevelopment, and alternative development standards.

Crunching Canada's Housing Numbers



What are the economic benefits of a stable, and secure housing sector?

- Each dollar spent on housing equals a \$1.40 increase in gross domestic product (GDP).
- For renovations and new housing construction, an expenditure of \$1 million on housing generates roughly three full-time-equivalent jobs, and 10 additional indirect and ancillary jobs.
- Housing starts remain consistently below the years leading up to the 2008 recession, creating an estimated gap of 50,000 jobs in the construction sector.
- The housing sector now makes up 20% of Canada's GDP.

The cost of homeownership is pricing many Canadians out of the market.

- The average home price in Canada is up 63% since 2000 compared to a 13% increase in median after-tax income of average households.
- Canada's household debt is at a historic high. We now owe \$1.63 for every \$1.00 of disposable income compared to \$1.48 in 2009 and \$0.84 in 1990.
- Mortgage debt stands at \$1.1 trillion in Canada.

- 1 in 4 Canadians pays over 30% of their income for shelter — more than they can afford, according to CMHC guidelines.

1 in 3 Canadians rent.

- Rental construction accounts for just 10% of new residential construction over the past 15 years.
- For over a decade, Canada's overall vacancy rate has remained below 3%, the rate that is considered balanced (e.g. Calgary: 1.2%, Edmonton: 1.2%, Regina: 1.9%, Toronto: 1.6%, Winnipeg: 1.9%).
- 42% of young Canadians (20–29 years) lived with their parents in 2011 compared to 26% in 1981.

\$1.7 billion in federal affordable housing operating agreements is set to expire.

- Canada's 600,000 social housing units receive \$1.7 billion annually in federal subsidies as part of operating agreements, but they have started to expire.
- Without the federal subsidy, one out of three, or 200,000 units are at risk of closing their doors.
- The agreements are cost-shared with the provinces for a total of \$3.5 billion.
- In the next five years, we will see the biggest drop as \$500 million in annual federal subsidies expire.

The need for social housing continues to grow.

- Canada had approximately 1,086 homeless shelters in 2011, up from 859 in 2006.
- An estimated 300,000 Canadians live in shelters and on the streets every year.

National Survey on Housing



Results of a national survey on housing conducted October 18–22, 2013

What do you see as the number one financial issue facing Canadians today?

health care costs
housing availability
consumer costs (TV, phone, internet, etc.)
other
access to education
transportation costs
food security

Are you or a member of your family struggling to pay for housing costs?

yes
no
don't know

Which of the following actions should the federal government take with regard to the housing sector?

	<i>Yes</i>	<i>No</i>	<i>Don't know</i>
Implement a national long-term plan for housing	71%	10%	19%
Create incentives for rental housing	65%	19%	17%
Maintain current levels of funding for affordable housing	53%	27%	20%
Increase current levels of funding for affordable housing	66%	18%	16%
Increase focus on addressing homelessness	73%	14%	13%
Take steps to cool the home-buying market	40%	38%	22%