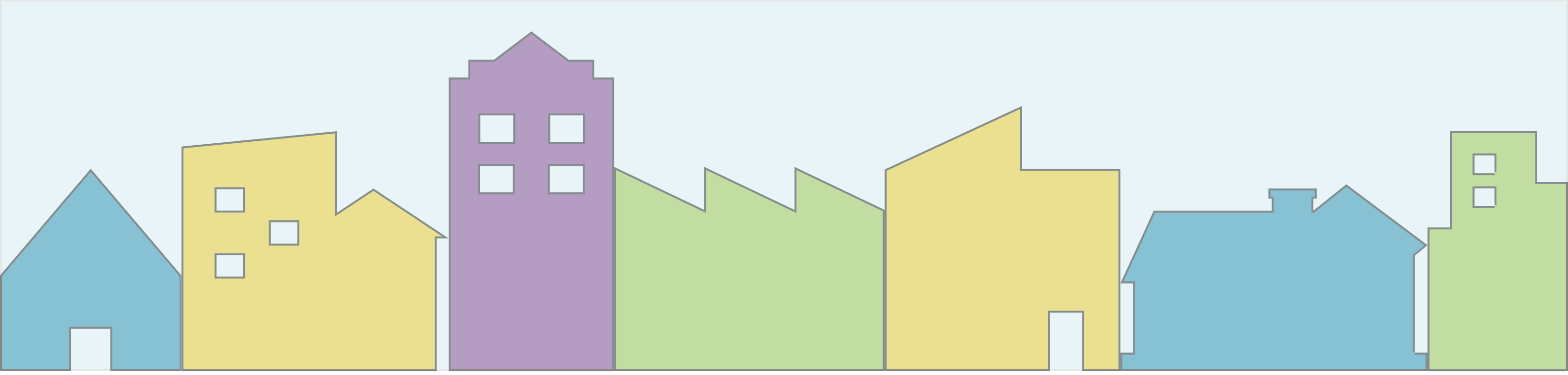

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Housing Supply Mix Strategy 4: Non-Market Housing

40% of Canadian households cannot afford today's average market rents

Toronto Metropolitan University City Building

UNIVERSITY OF TORONTO | SCHOOL OF CITIES

SUPPLY MIX RESEARCH
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FOR HOUSING & CLIMATE

The Issue

The research hub HART (Housing Assessment Resource Tool) at University of British Columbia calculates that currently 20% of Canadian households cannot afford monthly housing costs over $1,050, while the threshold for moderate-income households is just over $1,600 per month including utilities.[1] Over the past four years, the average asking rent in Canada for all property types has ranged from $1,823 in January 2020 to $2,196 in January 2024.[2]

Experts across Canada are calling for more housing to be built outside of the private market to permit rents to be geared to household incomes based on what Canadians can realistically afford, instead of the top of what the private market can charge.

Research and Findings

Decades of disinvestment in non-market housing has contributed to the lack of affordable housing in Canada

Canada used to build a lot of non-market housing. In the 1970s, non-market housing (i.e., social housing, not-for-profit developments and co-operatives) represented up to 25% of all construction. After decades of governments redirecting subsidies and financing to the private system, non-market housing now represents under 6% of all of Canada's existing housing stock, while private market housing represents 95%. A key factor driving the national housing affordability crisis is a lack of affordable housing that is protected from speculation, rent increase, financialization and other threats. In cities such as Toronto there is a 14-year waiting list for social housing.

Figure 1: Federally Assisted Affordable Housing Units[3]

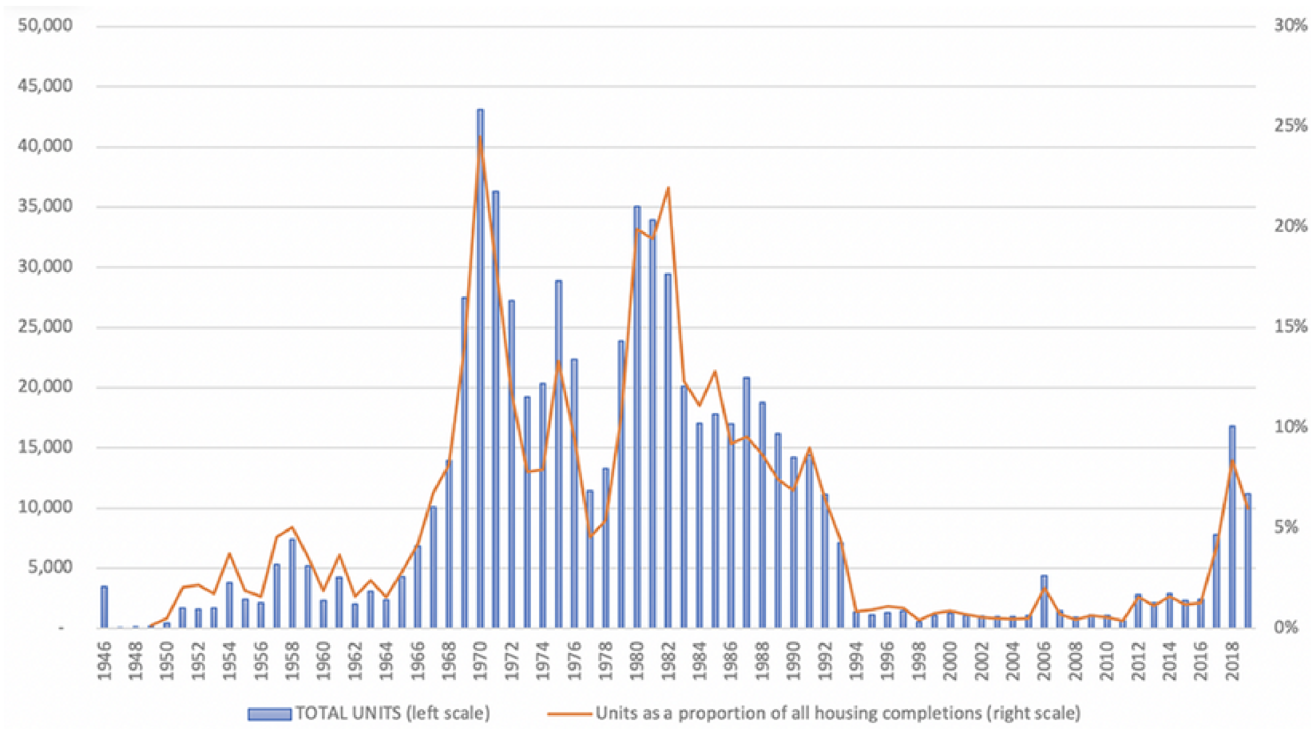


Chart by Brian Clifford, data from CMHC's Canadian Housing Statistics, multiple years

The private sector cannot provide the depth and scale of affordable housing required to meet the needs of Canadian households

While the private sector is central to helping Canada achieve its housing supply targets, the current for-profit private development system cannot deliver the depth and quantity of affordable homes Canada needs.

As Canada redirected federal programs and subsidies to support the building, financing and purchase of ownership-based housing delivered by the private development sector, decades passed without federal investment in non-market housing. As a result, Canada has become dependent on private developers to produce relatively small quantities of below-market units (considered affordable by these programs) in exchange for incentives, subsidies or density bonuses. The private sector, which functions to yield profits in an increasingly challenging economic environment, is not designed to deliver the depth or scale of affordable housing units required to address the magnitude of our affordable housing deficit.

Low-income and middle-income households in Canada would benefit from more non-market housing

By the HART team's estimate of needs (only considering very low- and low-income households), at least 25% of the 5.8 million housing units CMHC recommends to be built in Canada by 2030 should be non-market in some form.[4] Looking more broadly at below-market housing need, the Canadian Housing and Renewal Association recommends that nearly 40% of new housing supply be non-market housing to serve both low-income and middle-income households. A recent report[5] for the Office of the Federal Housing Advocate recommends one-third of housing supply be non-market for low-income and very-low-income households, and that another one-third be geared to moderate-income households that require below-market rents, for a total of two-thirds of new supply, and that these all be rent regulated.[6] Many experts recommend at least doubling the current number of social housing units (a.k.a. public housing), which require direct government subsidies to create and operate, via programs such as the federal Rapid Housing Initiative.[7]

Further details on social housing and not-for profit housing are presented in the accompanying briefs.

Non-market housing is not the same as below-market housing, although both are needed within our housing system

It is important to distinguish non-market housing from below-market housing, as they are not the same. Below-market housing rents and prices are calculated in relation to the private market. For instance, if the average market rent for a two-bedroom is $2,500/month, a below-market "affordable" two-bedroom unit that is 80% of market rate would cost $2,000/month – still unaffordable for many. But market rents and prices can fluctuate, and when they do, below-market rates change accordingly.

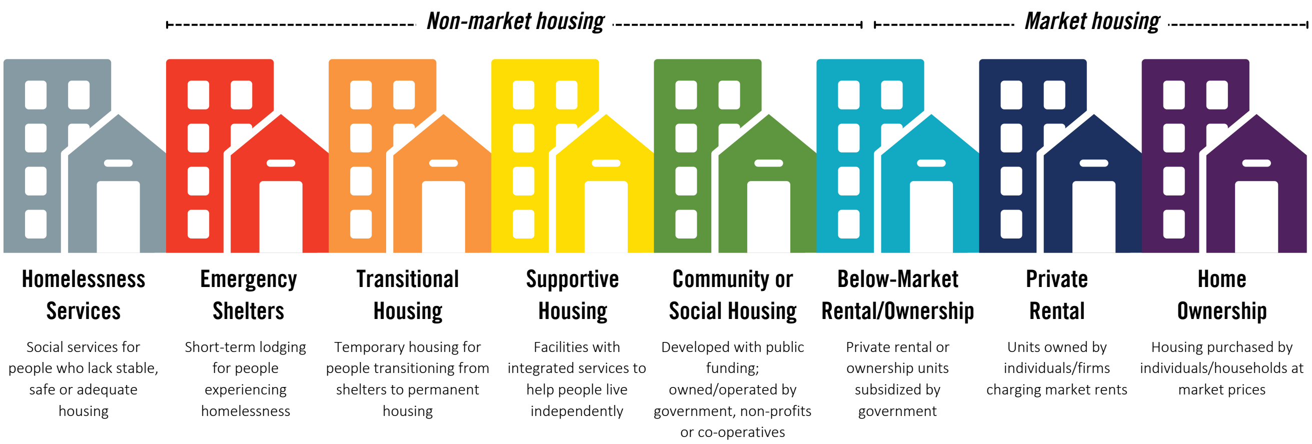
Below-market housing is often delivered by the private sector in partnership with the public or not-for private sector and/or through programs such as density bonusing or inclusionary zoning that provide developers with various incentives, access to public lands, tax breaks and/or the permission to build more density in exchange for delivering a percentage of "affordable" below-market units.

Below-market calculations also vary according to whether they're based on average or median (often higher) rents, or city-wide or other averages, or a development project itself.

In non-market housing, rents are set at a percentage of household income. This can provide a measure of security for developments over time. Non-market housing developments require financial supports to produce housing at scale.[8]

Even though below-market housing can be successful, more non-market housing is needed to tackle Canada's housing affordability crisis effectively.[9]

Figure 2: The Housing Continuum [10]



Simply building more homes will not solve affordability

Many experts, as well as CMHC, maintain that facilitating the construction of a large amount of market-rate housing supply targeted at the middle class and above will result in affordable units "filtering" to lower-income households. CMHC estimates that the creation of 3.5 million homes in excess of growth in the number of households would be required for filtering to restore affordability.[11] In practice, it could take decades for market-rate units to deteriorate and become deeply affordable in the filtering process.[12] New housing construction only tends to drive down rents by a few percentage points,[13] and continued market pressure on older housing stock is resulting in filtering up to higher-income households, rather than filtering down.[14] Moreover, much new market-rate construction is luxury housing targeted at small households, and it is not well understood how this will match the needs of larger and/or low-income families if it does filter.

CMHC should conduct a robust Housing Needs Assessment

A robust Housing Needs Assessment should be completed at the national and provincial levels to provide comprehensive data about the kind of housing needed in Canada and for whom, rather than a general numeric target aimed solely at middle class homeownership.[15] British Columbia and other jurisdictions are conducting these assessments to inform housing development and policy.

Key Recommendations for Non-market Housing by the Task Force for Housing and Climate

Top recommendations in the National Task Force on Housing and Climate's *Blueprint for More and Better Homes* include:

- Facilitate the acquisition or construction of 2.3 million non-market and below-market homes by 2030. Government policies should seek to create housing affordability across the housing spectrum through partnerships with homebuilders, not-for-profits and financial institutions, and through the use of government owned-land. (All levels)

- Optimize the National Housing Co-Investment Fund to deliver deeper market and non-market affordability, streamline rapid approval processes for municipal applicants and their community housing partners. (Federal/municipal)

- Identify and allocate municipal land for the development of non-market housing and implement land banking strategies to secure and preserve land for future non-market housing developments, and by collaborating with local Indigenous organizations to enable Indigenous-led housing development opportunities. (Municipal)

Endnotes

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