

Facing up to the Future: A Canadian Perspective on Evolving Housing Issues

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Outline of presentation

- Key challenges
- Overview of Canadian context
- Demographic and economic factors and trends
- Housing market outcomes and housing need
- Political and policy issues
- Current and emerging policy challenges

Key challenges

- Shifting needs and preferences
- Huge backlog of unmet need
- Dysfunctional rental market
- Aging infrastructure and need for reinvestment
- Unfriendly/unsupportive constitutional-political framework
- Limited success of past program approaches (need to retool)

Canada At A Glance

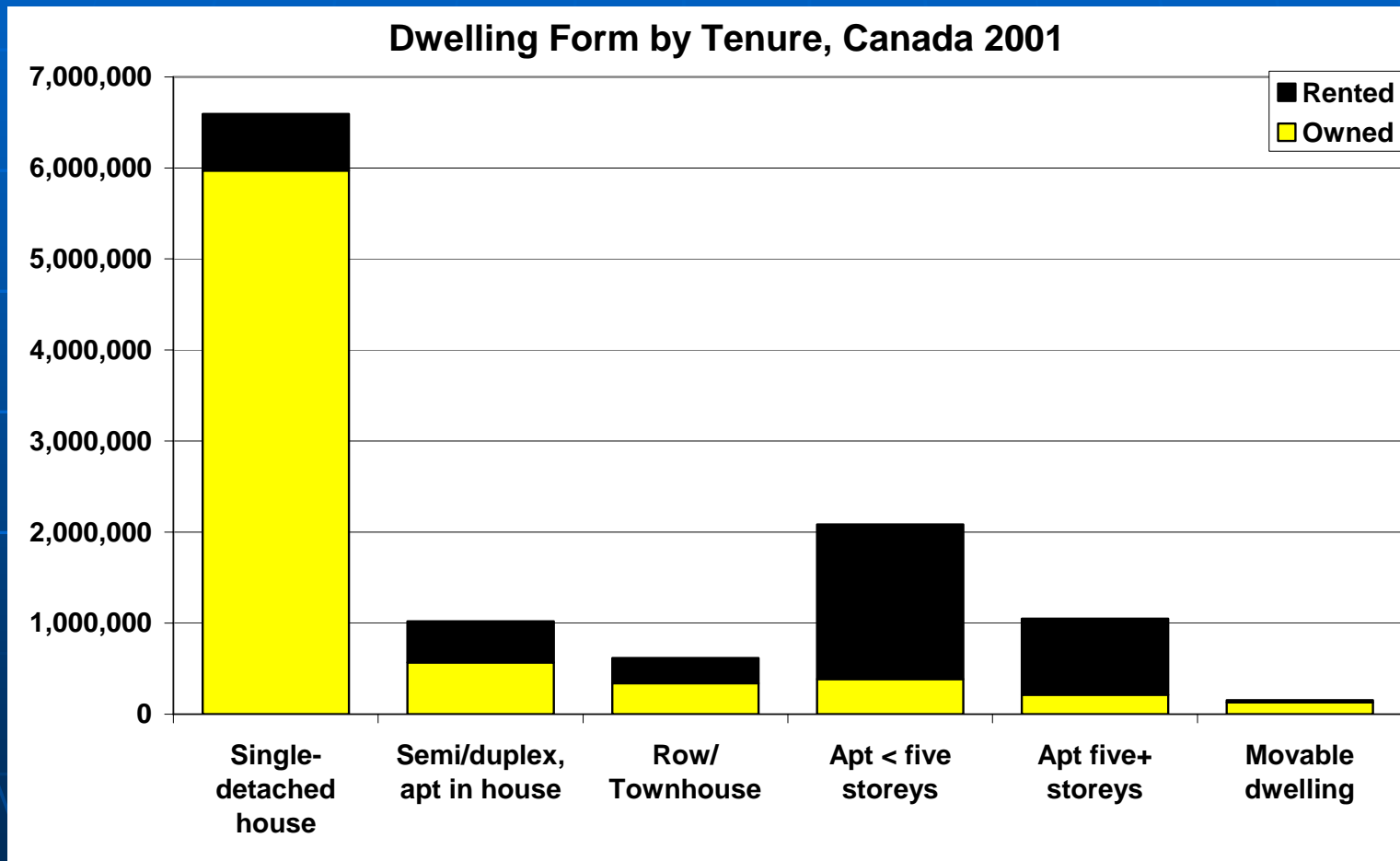
- 10 million sq km
- 10 Provinces & 3 Territories
- 31 million total population
- 11.5 million households
- 1/3 in 3 largest cities – Vancouver, Toronto, Montreal
- 2/3 in 25 metro areas (>100k)
- 1 million aboriginal persons – of which 70% live off reserve (prairie provinces)

Assisted/social housing a small part of stock

- 66% of households are owners
- 34 % are renters:
 - 28% rent in the private sector
 - 6% live in social/assisted housing

Data based on 2001 Census/CMHC

Existing housing stock predominantly detached dwellings and owner occupied

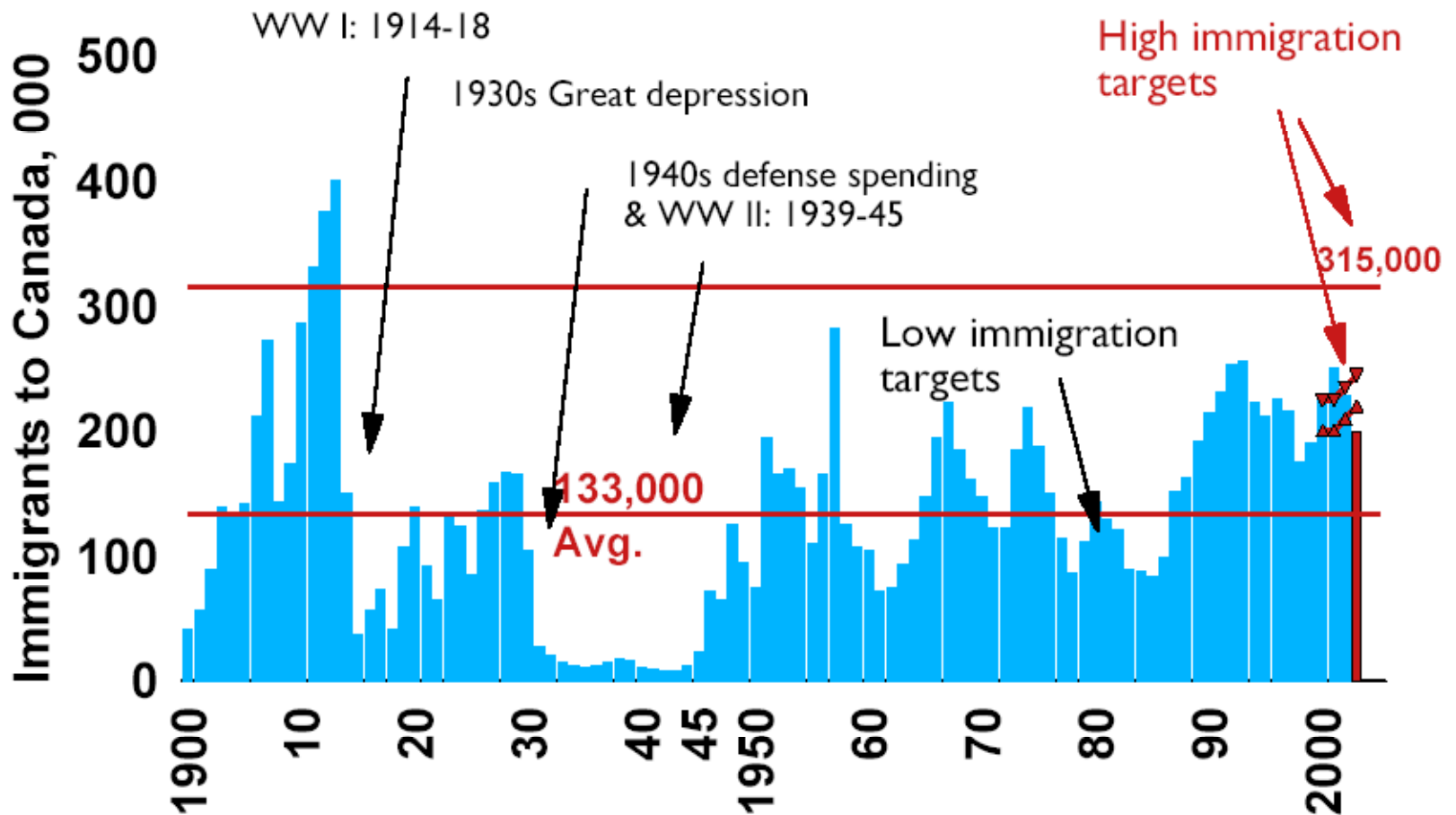


Key demographic factors

- High immigration and high propensity to rent
- Increase in small non-family hh
- Aging and shifting housing requirements and preferences

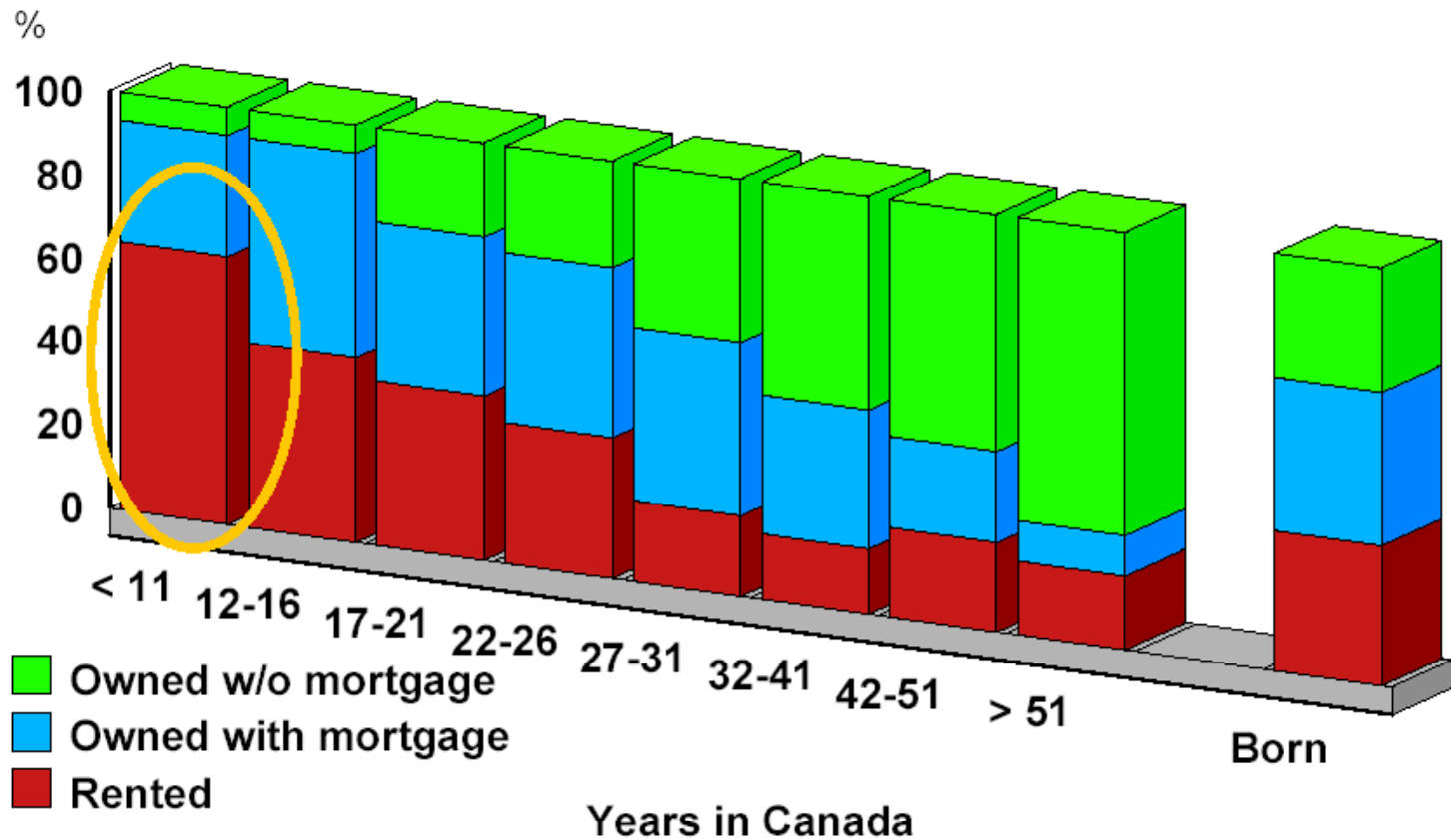
Canada's immigration is high

2003 running below target



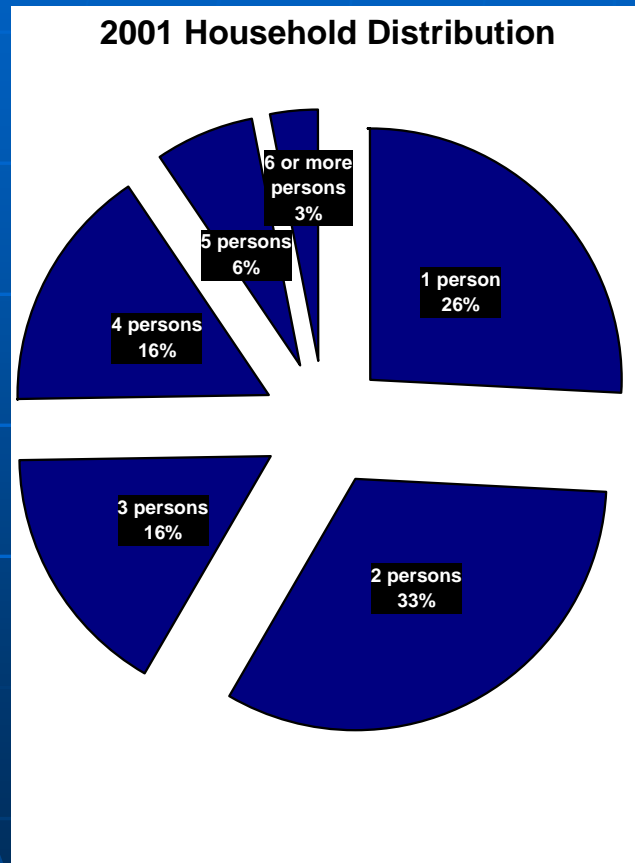
Source: CMHC Ontario region/statistics Canada

Renting high among recent immigrants

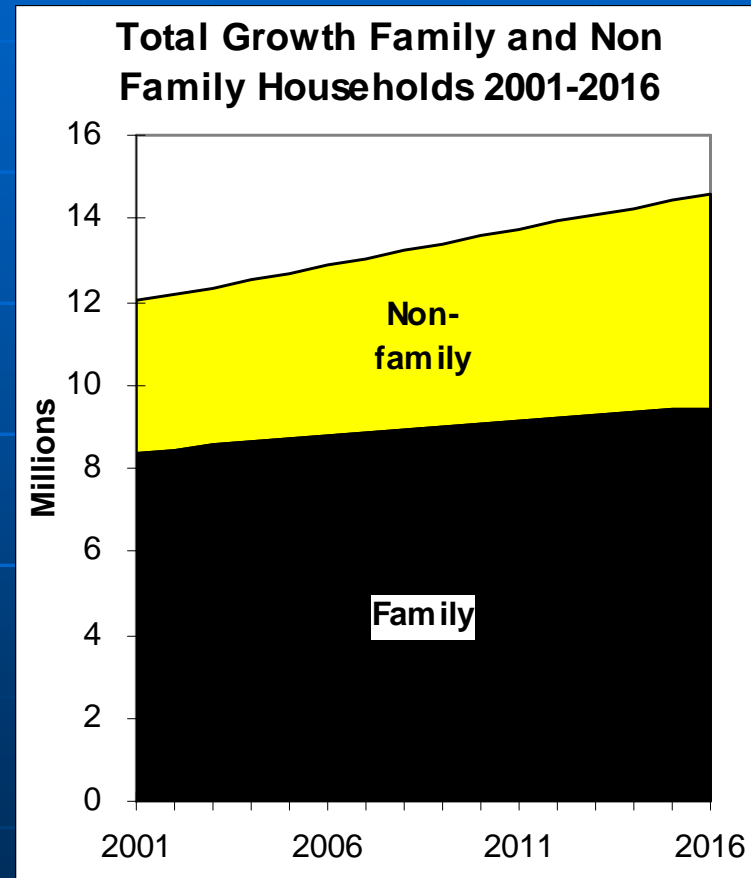


Source: CMHC Ontario Region/Statistics Canada

One and two person non family households are majority – and will grow much faster in future

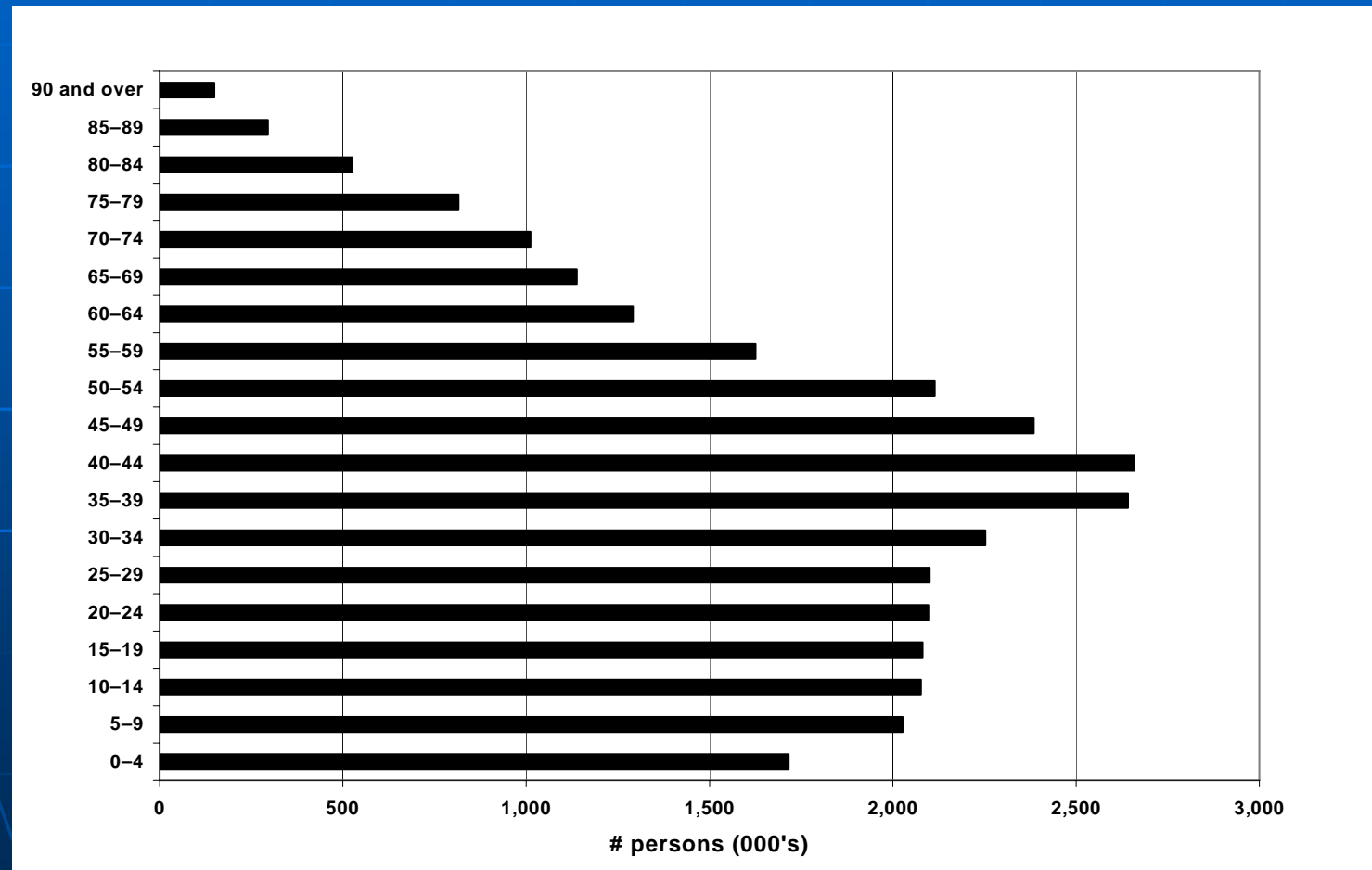


59% 2 or less persons

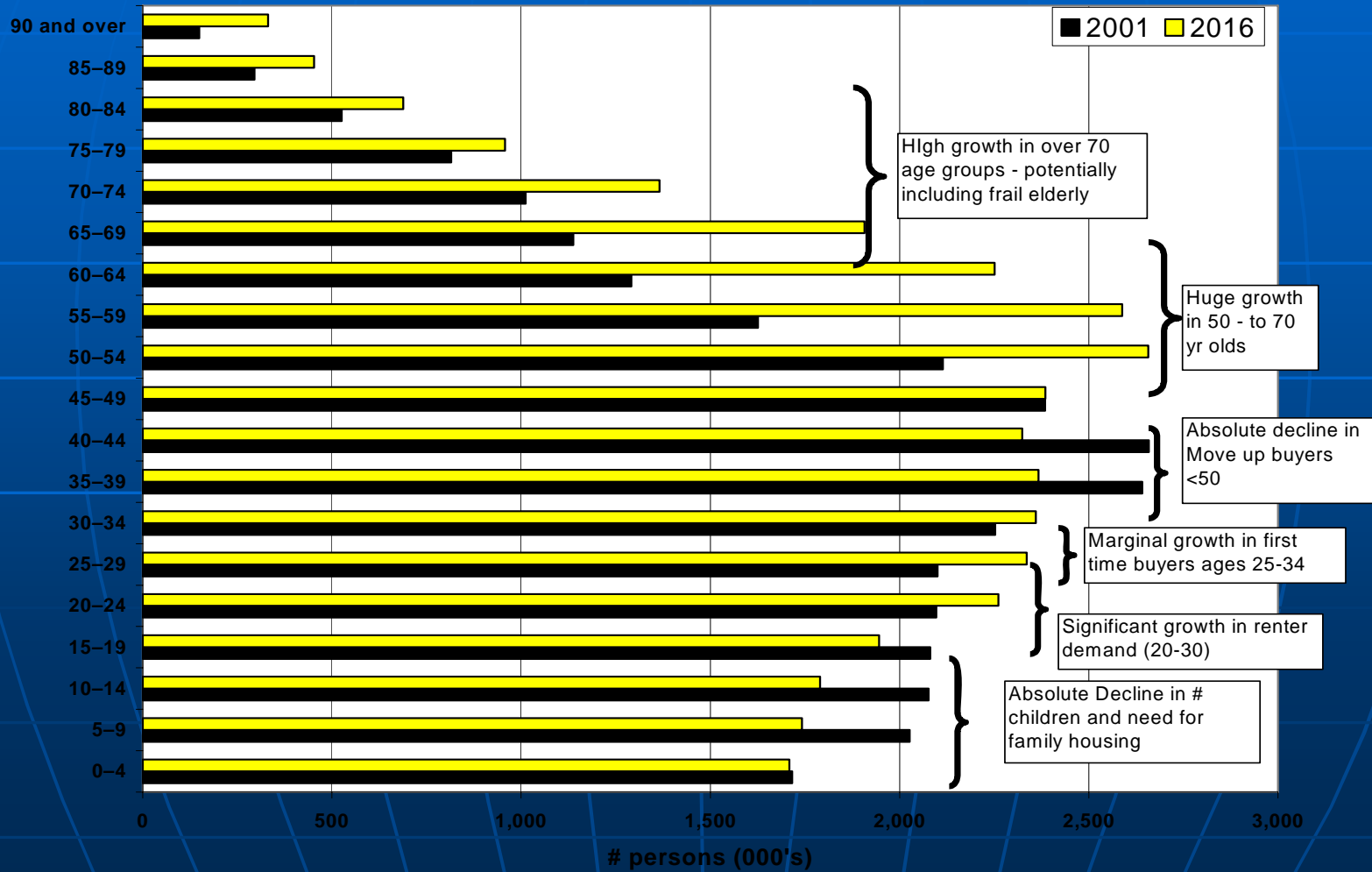


Age specific population in 2001

Significance of the baby boom generation



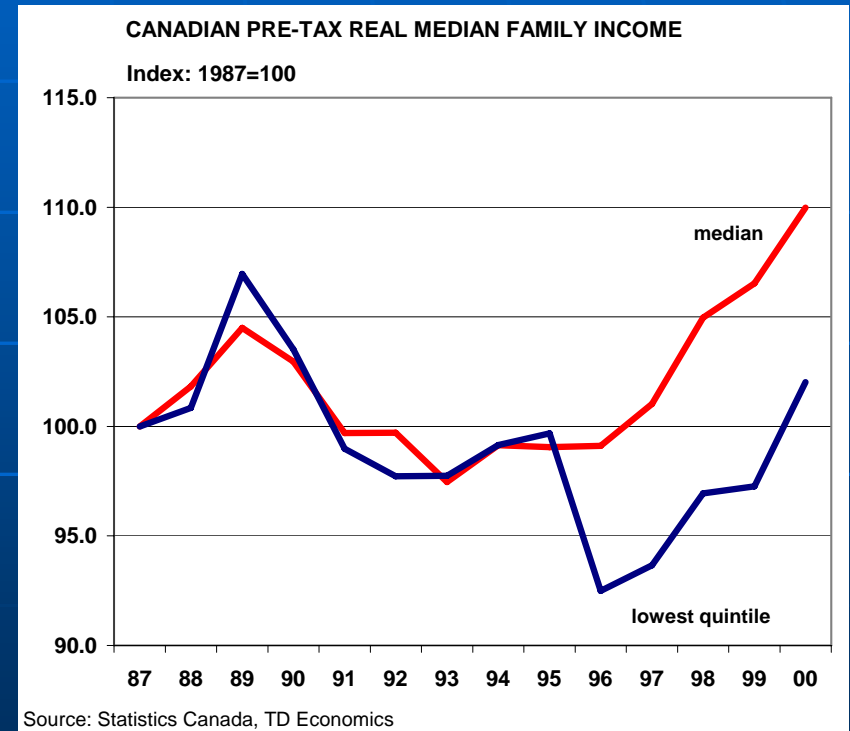
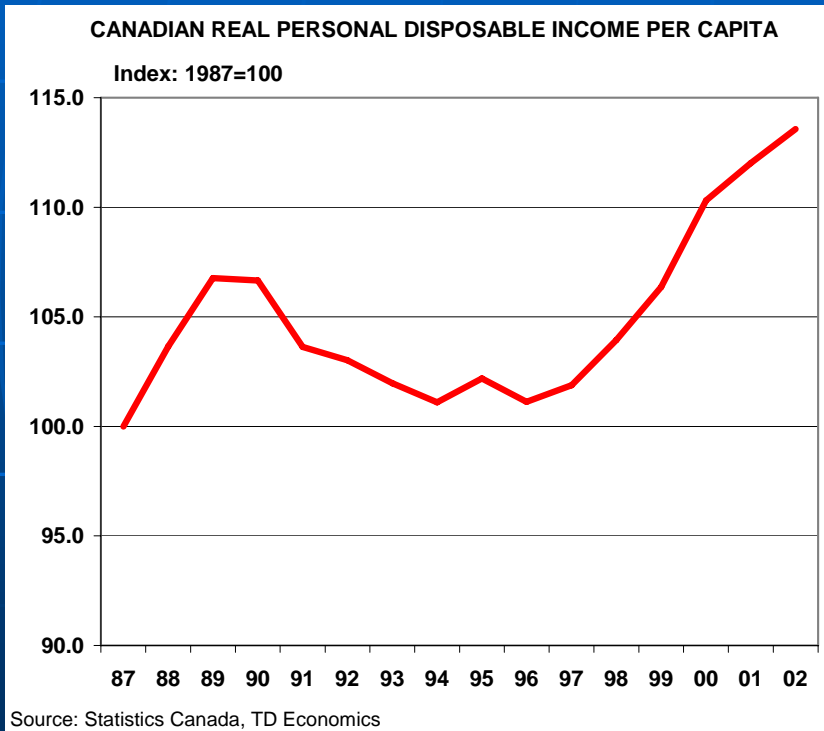
Population trends (2001-2016) show significant aging and suggests shifting housing preferences and requirements



Summary of key economic factors

- Recent period of strong economic growth (since 1991) – only modest slowdown in 2003
- Income gains – but not for all
- Historically low mortgage rates
- Increasing house costs and rent levels – especially in lower levels
- Regional variations in economic cycles (especially variable flows in inter-provincial migration)

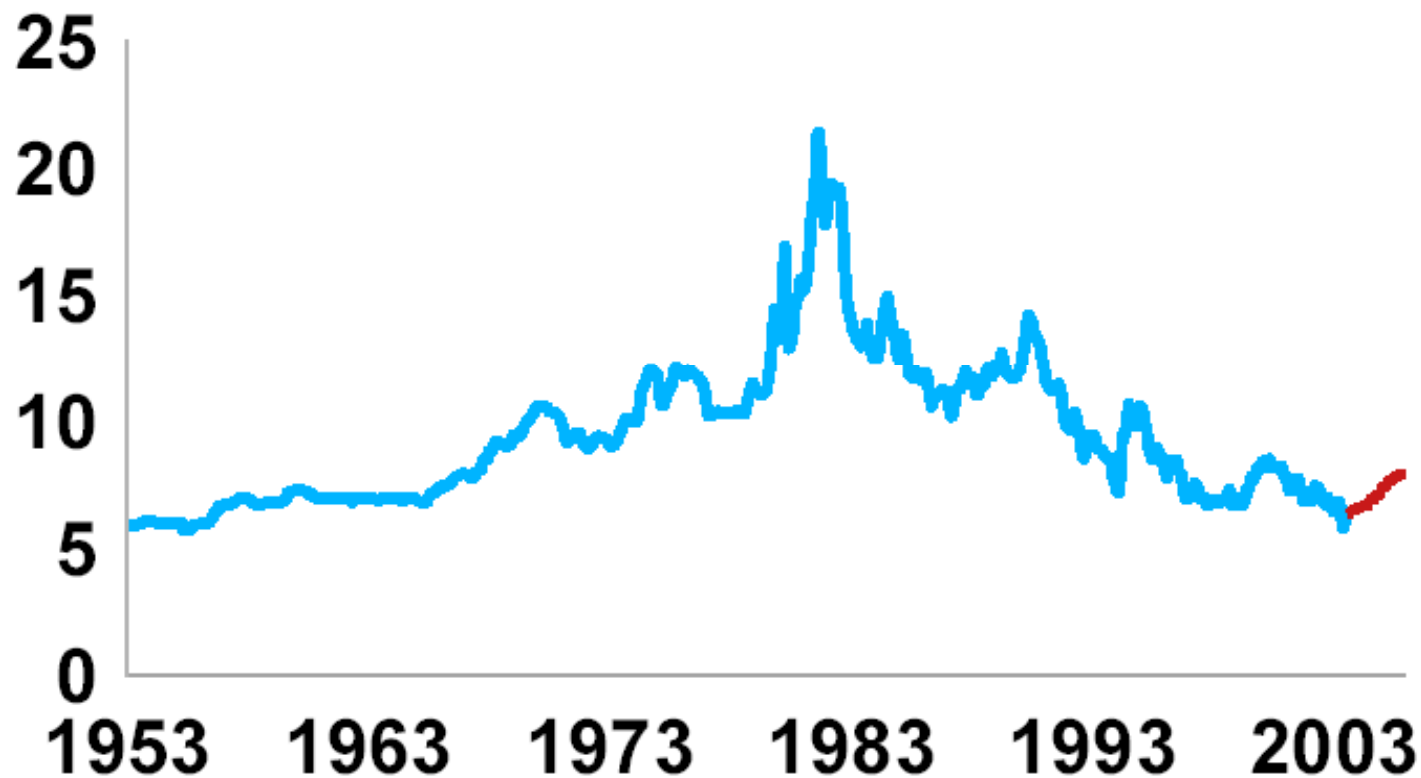
Recent strong income gains, but not for all



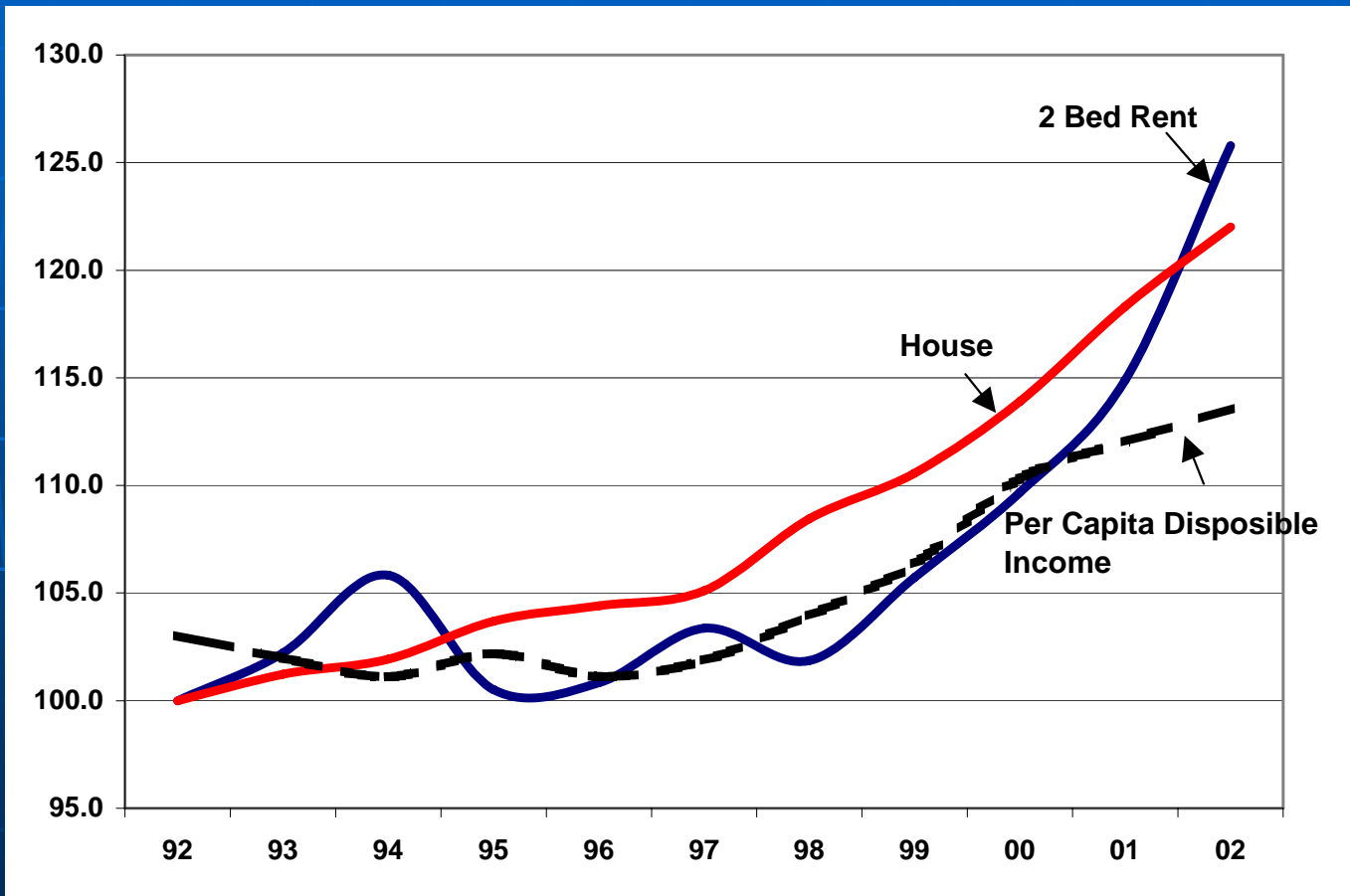
Significant interest rate stimulus

Lowest rates in decades encouraging home-buying

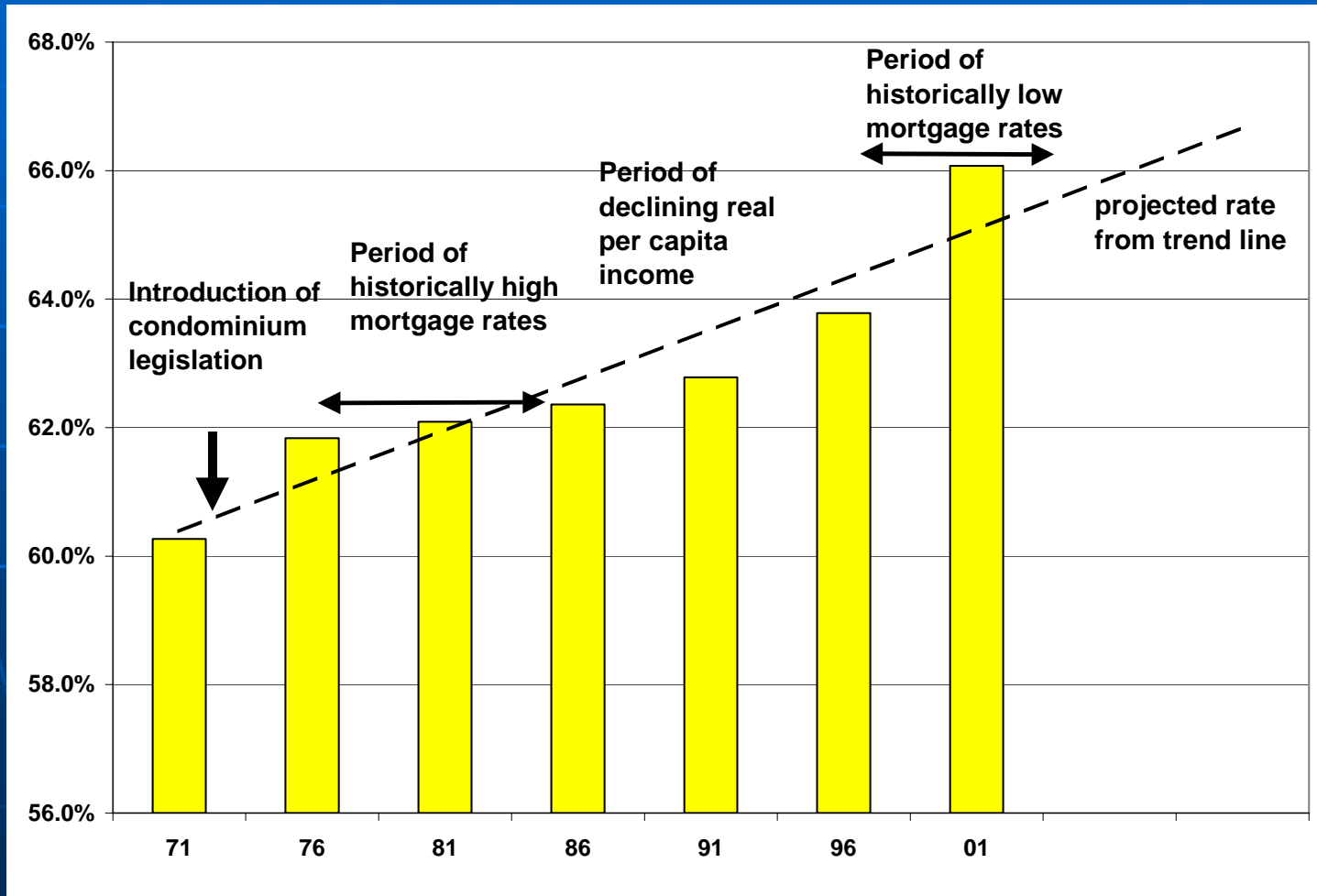
5-year mortgage rate, %



Since 2000 rents and existing home prices have dramatically outstripped incomes

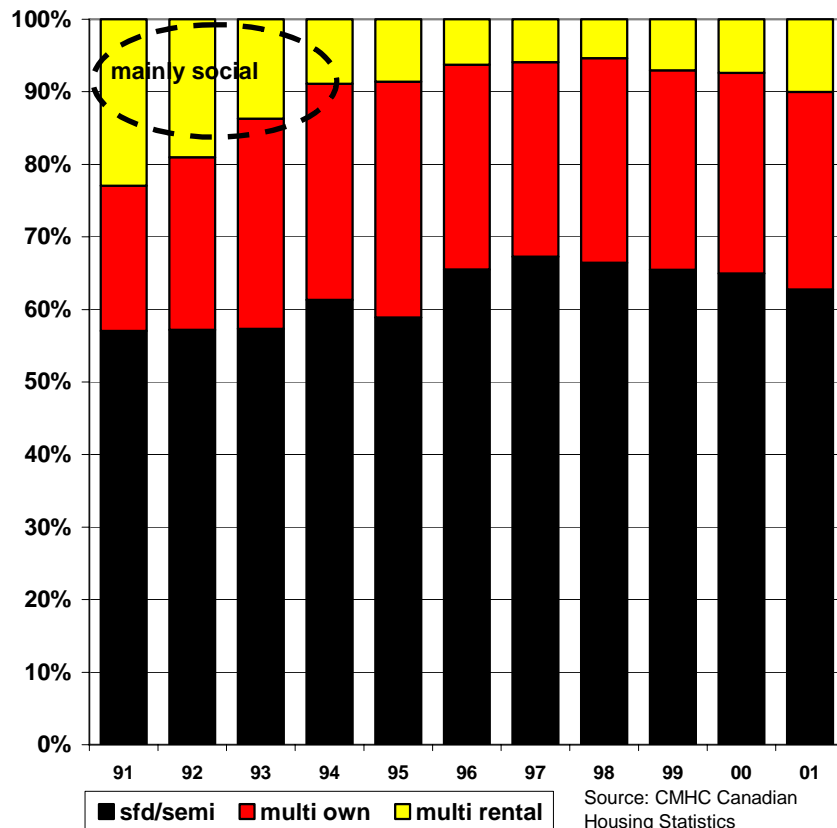


Ongoing increase in homeownership rate due to various influences



Disconnect between demographic requirements and new housing output

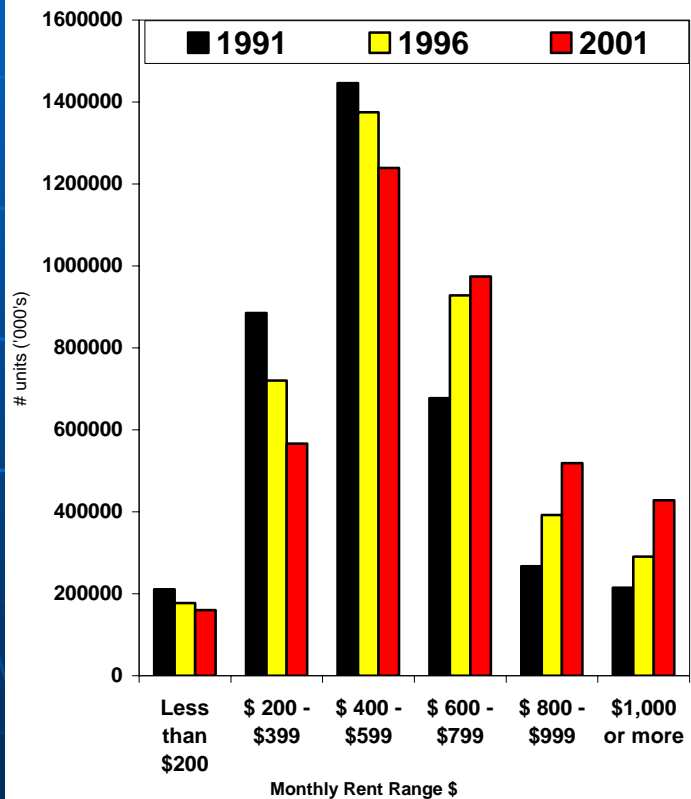
Distribution of starts by intended market area



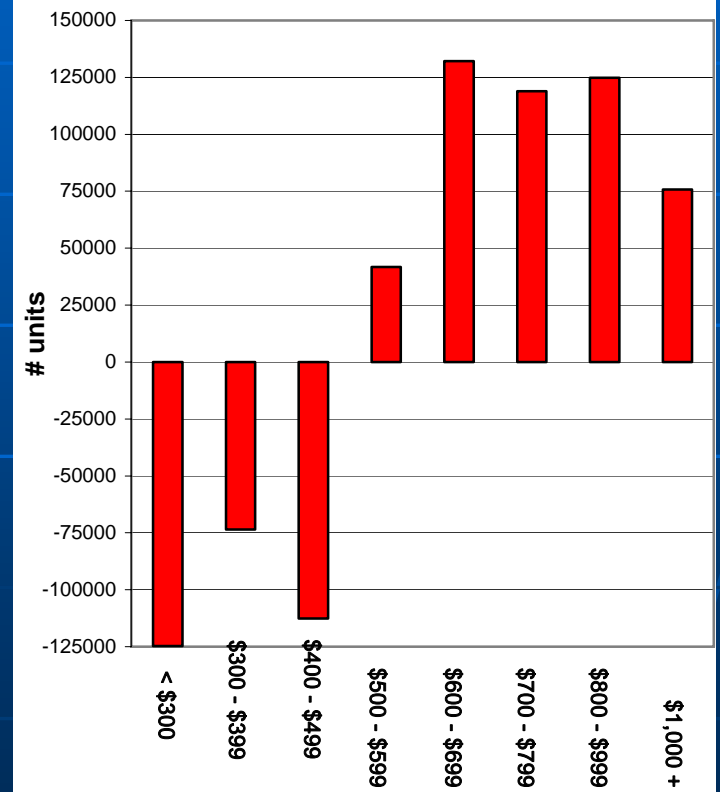
- More than 90% for owner market
- More than 60% detached homes
- Very low rental production
- By contrast:
 - growth is in non family households
 - Persisting rental need (low rent)

Limited lower rent stock eroding

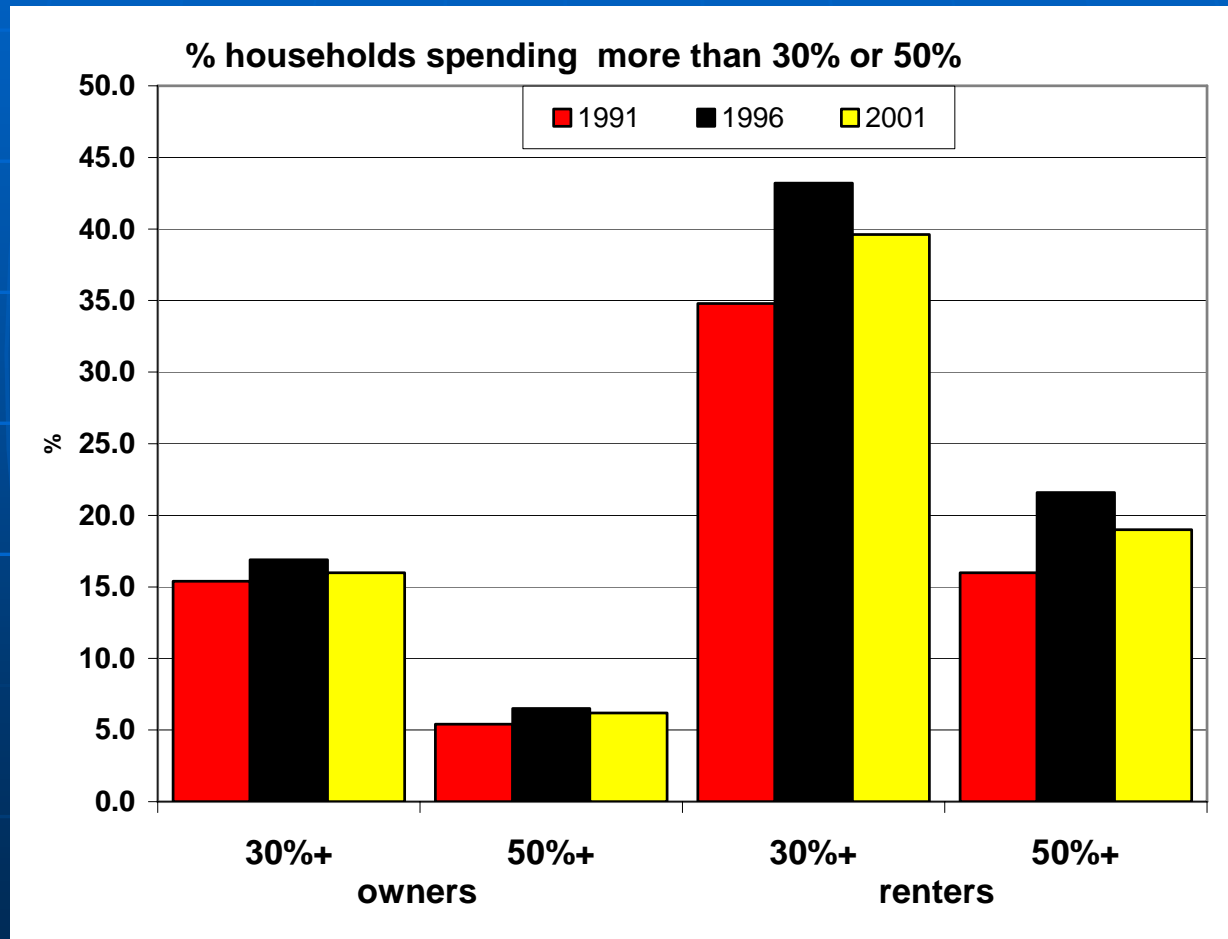
Significant loss of units < \$600/mo



**Erosion of Lower Rent Stock
Change by Rent Range 1991-2001**



Affordability problems persist - especially for renters



Is market inefficient?

- Critical issue is low income and ineffective demand (need)
- Ongoing residualization of rental tenure
- Weak economic viability of rental construction (especially for low rent)
- Low mortgage rates, strong income growth have insulated rental sector - but is there a pending rental crisis?
- = Public policy issue

Political context

- Mid 1990's focus on deficit reduction (program cuts) coupled with administrative realignment
- Shifting federal vs. provincial /territorial role (and municipal)
- Very limited spending – and no appetite for ongoing subsidy
- Issues in fed/prov cost sharing in new \$1billion program

Current and future policy challenges

- Ongoing economic and demographic factors will refine nature of problems
- Key challenges already exist – large backlog of unmet housing need
- Dysfunctional rental market:
 - Poor economics of rental development with ongoing erosion of the private rental stock
 - Weak (and worsening) effective demand

Current and future policy challenges (cont'd)

- Within social housing sector
 - Maturing of old funding agreements and unmet need for capital replacement
 - lobbying to retain and recommit expiring federal subsidies
 - Ontario reform and downloading
 - Concerns about lack of capacity and rejuvenation of professionals
- Serious housing issues among aboriginal households (on and off reserve)
- Old approaches not sustainable

The outlook – some good news?

- Critical issues of homelessness nudging housing back onto political agenda
- New capital supply program \$1 billion
- Substantial political change at federal and provincial levels
- Broadening of agenda
 - housing in the urban agenda
 - housing in community health

The future – what to do

- Address constitutional conundrum and fiscal framework
- Capitalize on converging interests – health and income assistance
- Link infrastructure renewal to intensification (lower land costs)
- Reduce tax and regulatory barriers to private rental (but with realistic objectives)
- Opportunities for new tax based investment vehicles?

The future – what to do (cont'd)

- Rethink approaches re erosion of existing stock and affordability issues
 - Emulate institutional investors – enable community non-profits to buy existing
 - Address need from top down thru assisted ownership
 - Implement rental assistance program
 - Selective new build – strategically linked
 - Reorient and retool community sector

Thank You

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