

Housing Affordability

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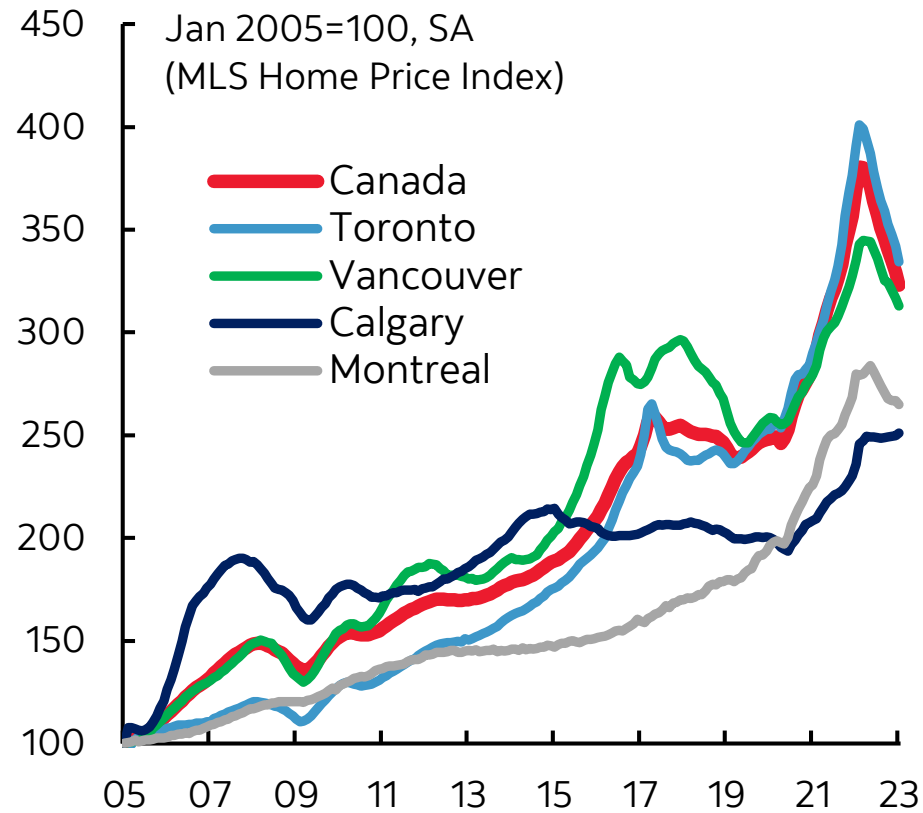


Housing affordability is permanently eroded

- Economic and social consequences of deteriorating affordability are enormous
 - More income devoted to housing means less resources available to other sectors and activities
 - Low-income households are particularly hurt
 - Risks undermining our immigration based growth model if progress isn't made
- A paradigm shift is needed. Time to accept that affordability is permanently impaired & design policies that reflect this:
 - Dramatic scaling up of construction and associated social and physical infrastructure, as challenging as that may be
 - Recognize that the only way to help Canadians in core housing need is to dramatically increase the number of social housing units
 - Stop thinking that changes to the regulatory landscape will impact affordability – they risk doing the opposite and/or further restrict housing choices for households

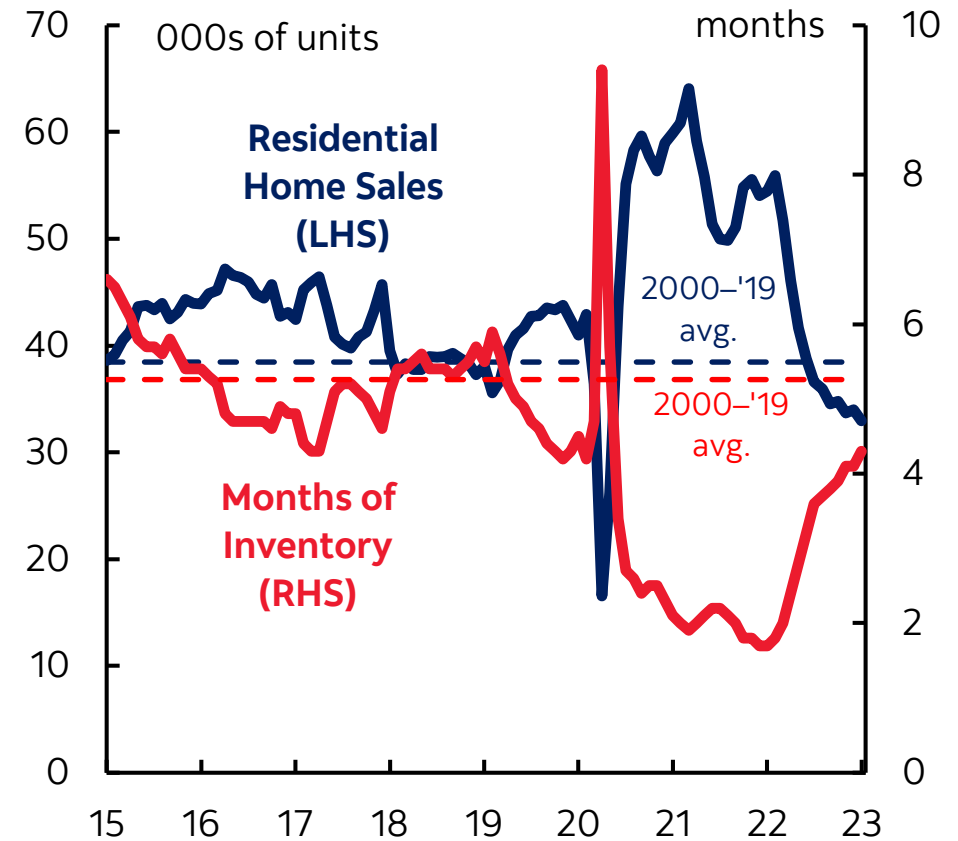
It's all relative

Home Prices Off Heady Highs



Sources: Scotiabank Economics, CREA, Teranet.

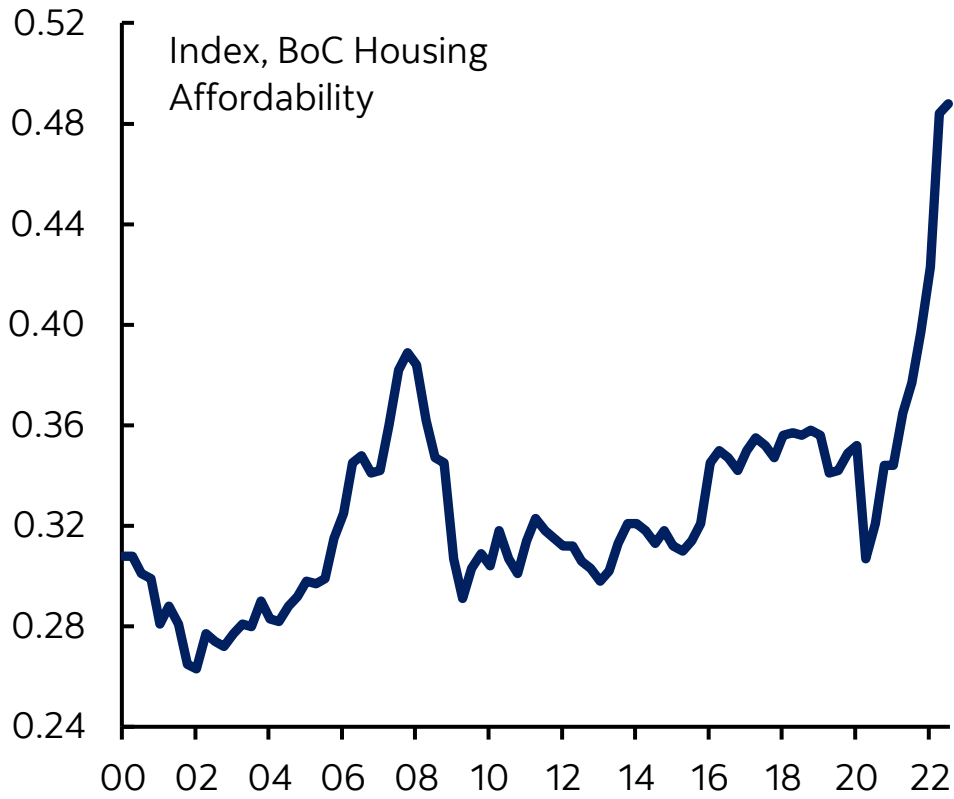
Rebalancing Underway



Sources: Scotiabank Economics, CREA.

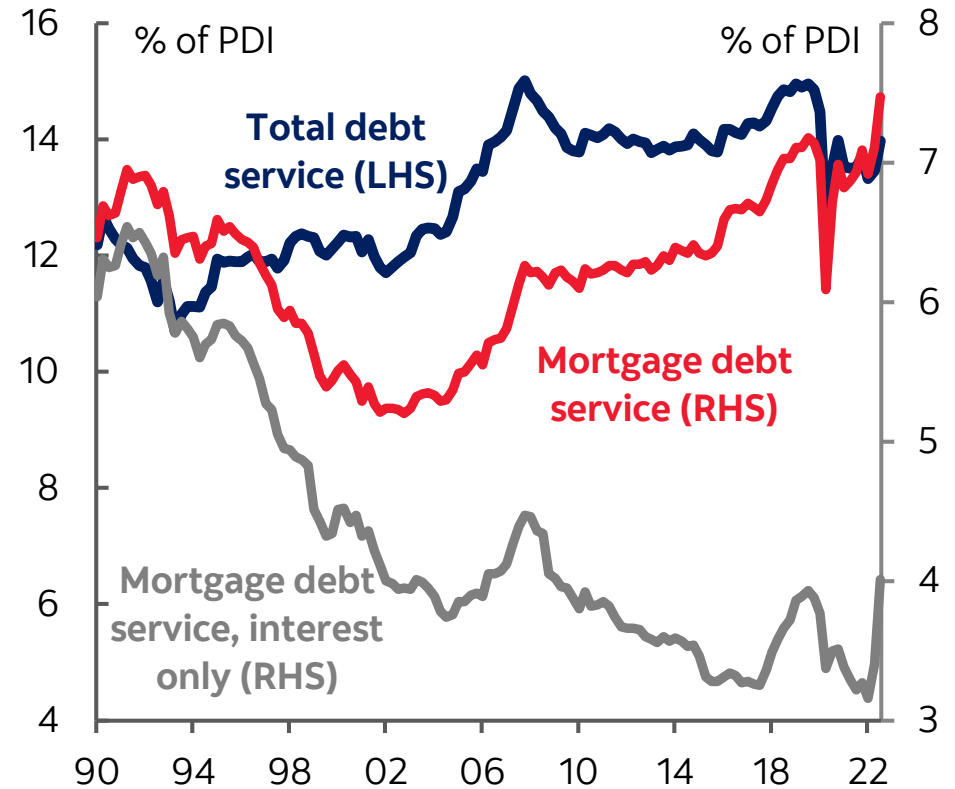
Ownership costs march on higher

Home Ownership Costs Escalate in Canada



Sources: Scotiabank Economics, Bank of Canada.

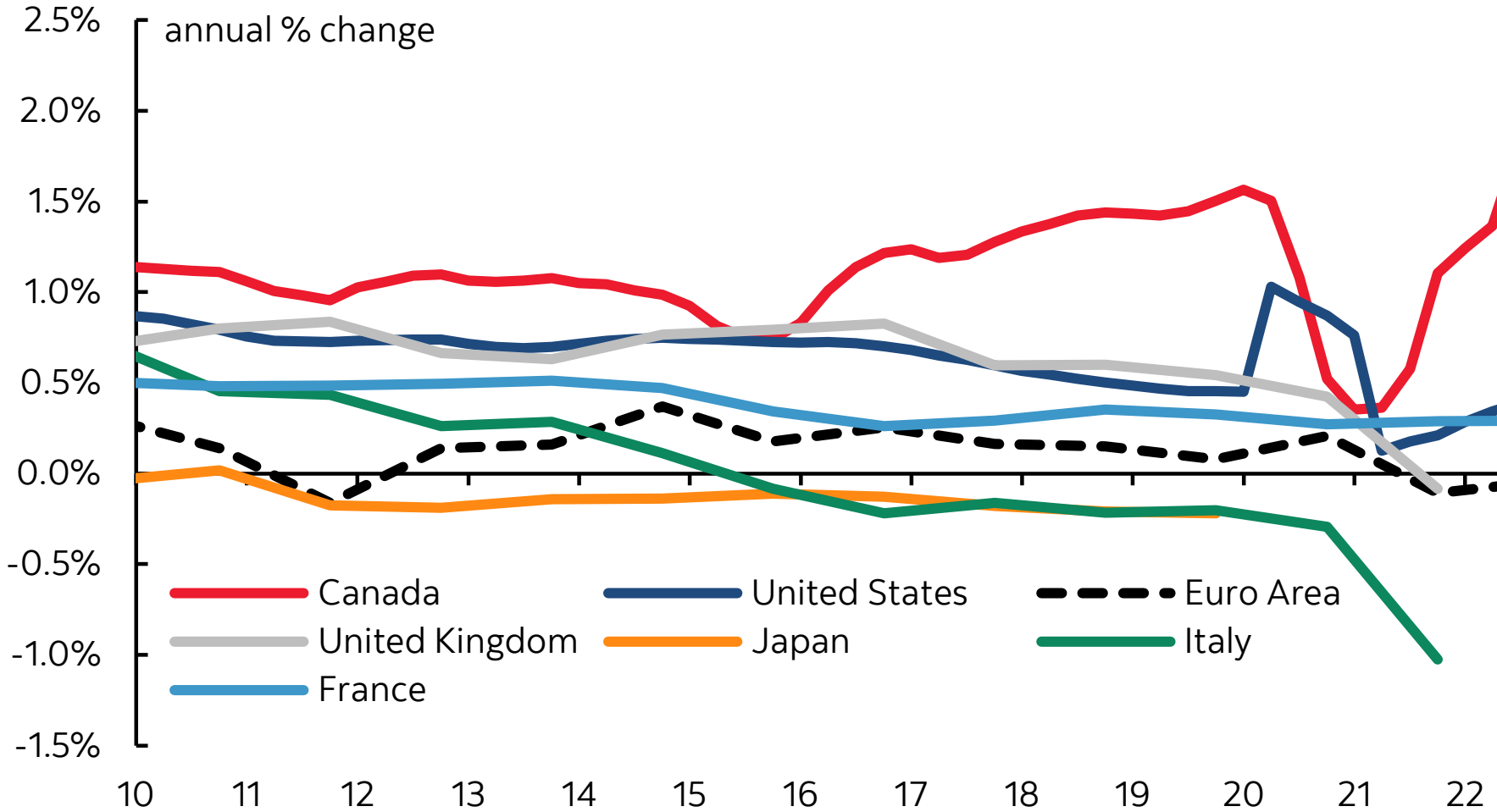
Cyclical & Structural Factors Behind Rising Home Ownership Costs



Sources: Scotiabank Economics, Statistics Canada.

One of these not like the others

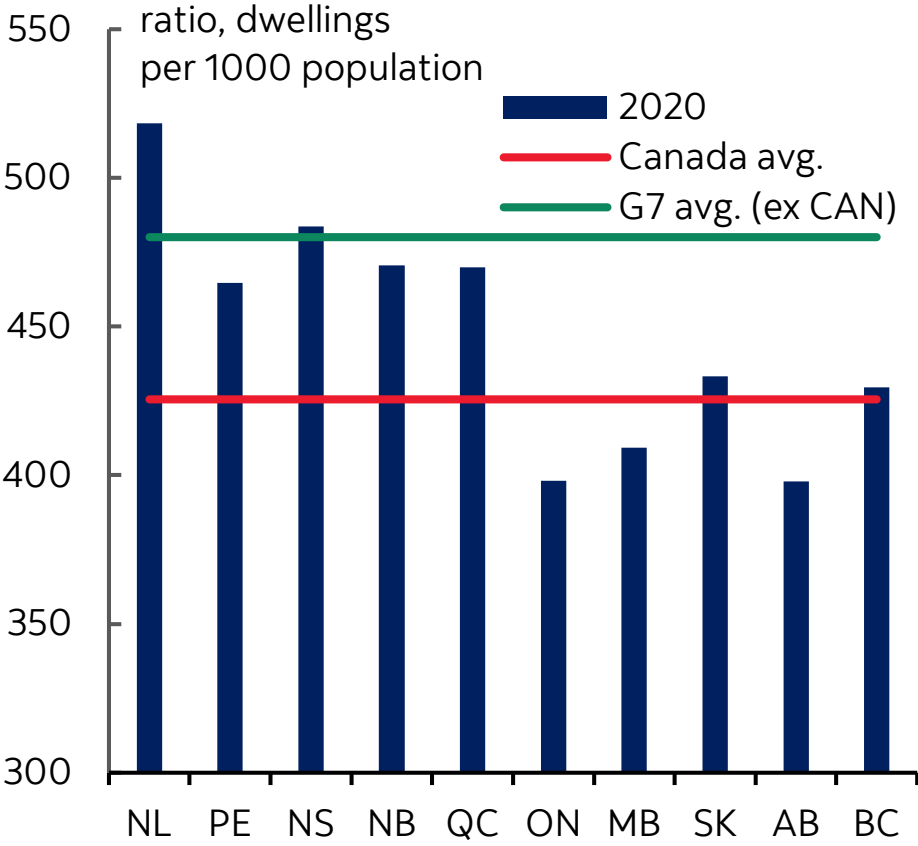
G7 Population Growth



Sources: Scotiabank Economics, Haver Analytics.

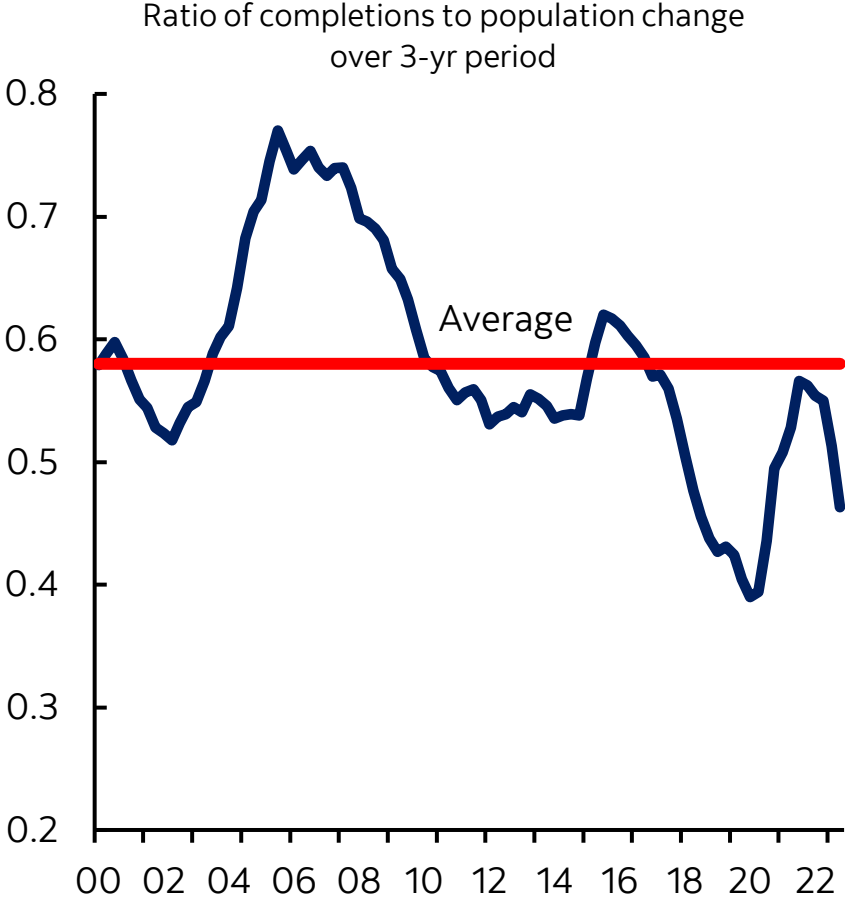
Supply shortfalls are pervasive

Structural Shortfalls Over Long Run



Sources: Scotiabank Economics, Statistics Canada.

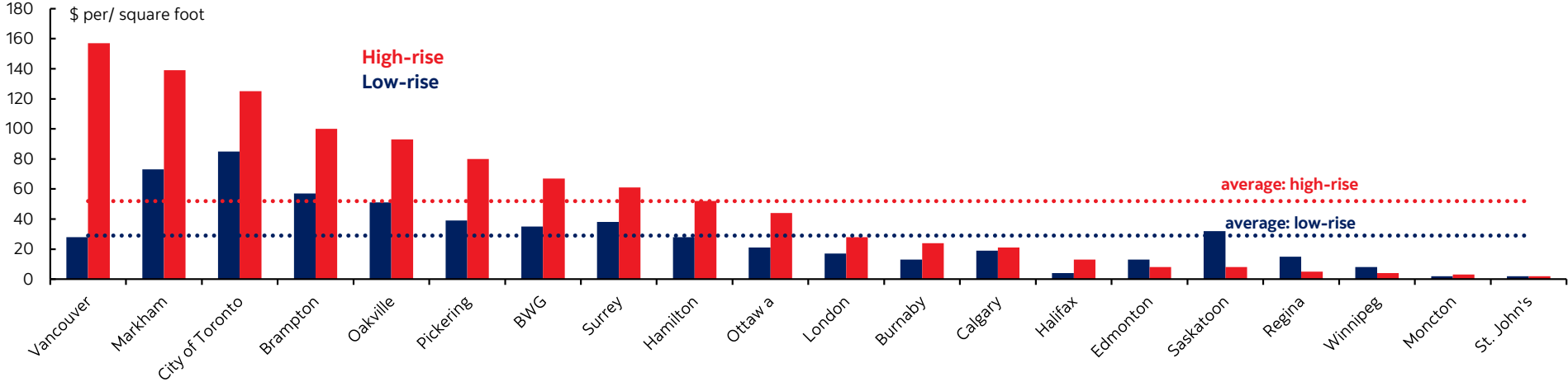
Completions Remain Inadequate



Sources: Scotiabank Economics, Statistics

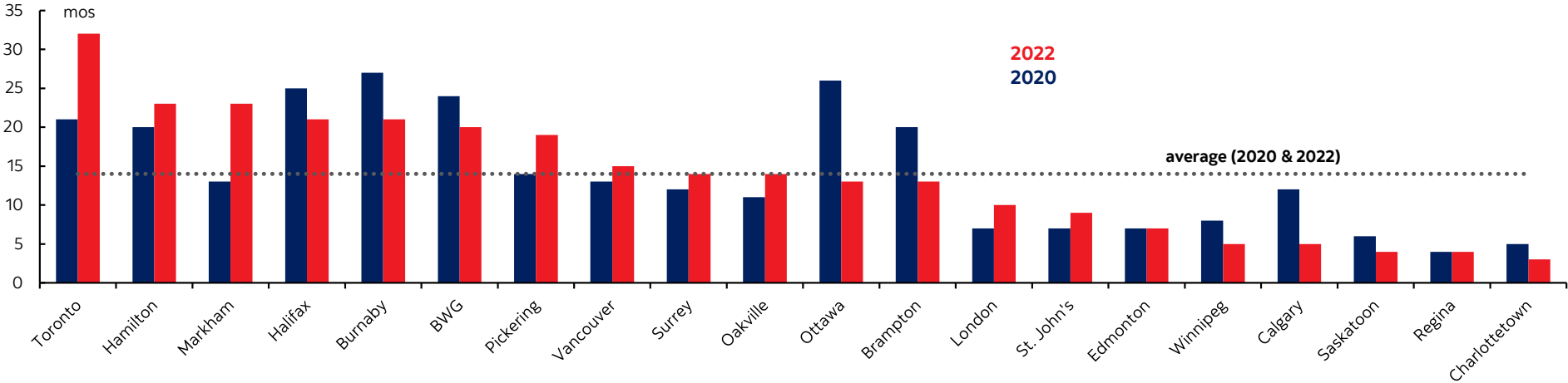
Ambition meets reality

Municipal Charges Add Up Quickly (For Some Faster Than Others)



Sources: Scotiabank Economics, CHBA National Municipal Benchmarking Study.

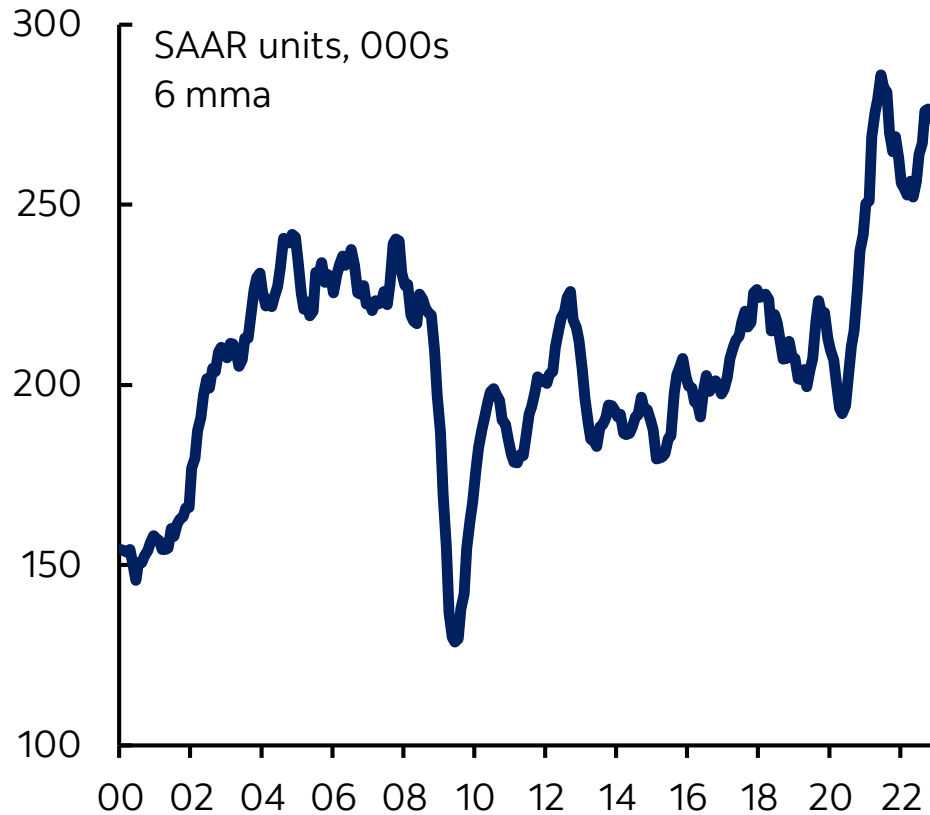
Time Is Money: Average Approval Timelines by Municipality



Sources: Scotiabank Economics, CHBA National Municipal Benchmarking Study.

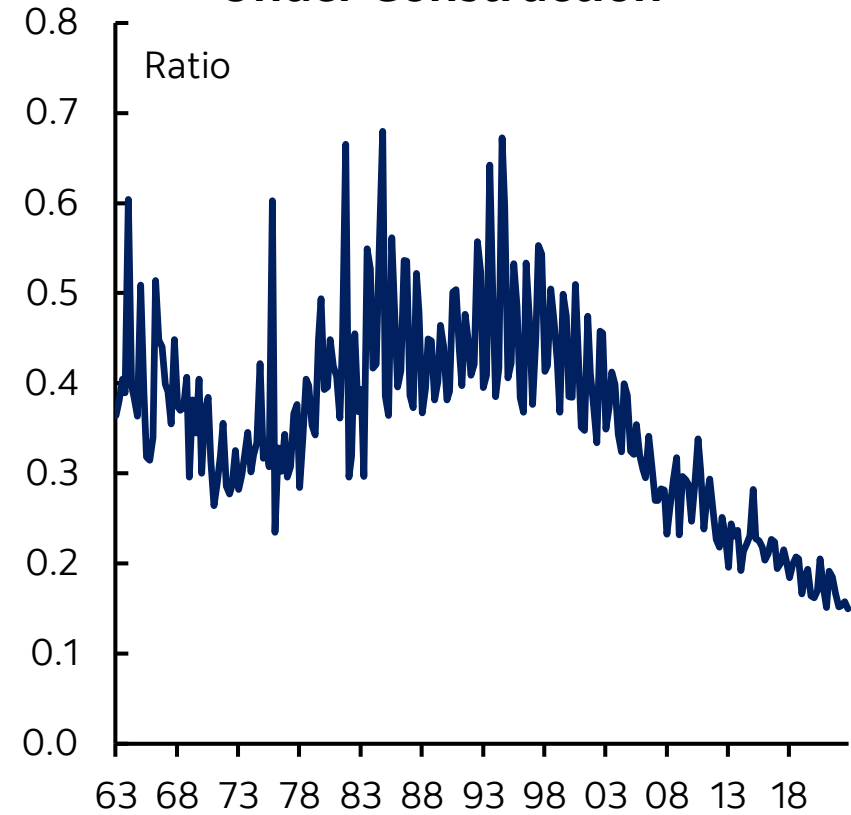
Dim prospects for substantive new supply

Housing Starts Up... But Not Nearly Enough



Sources: Scotiabank Economics, Statistics Canada.

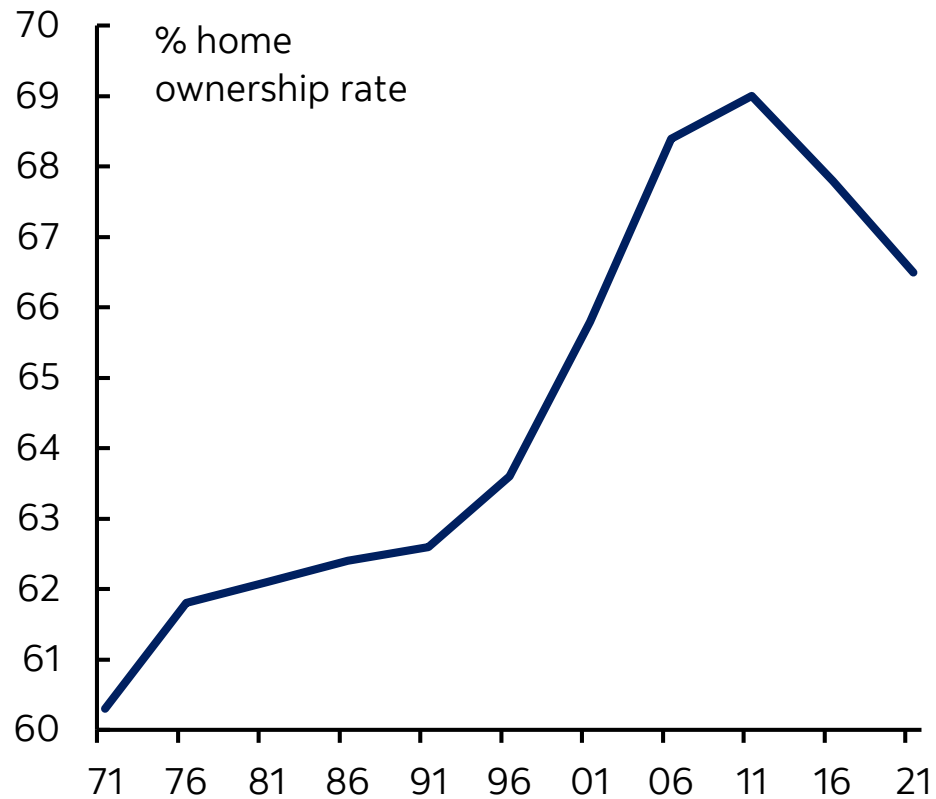
Canada: Total Units - Completed to Under Construction



Sources: Scotiabank Economics, Haver.

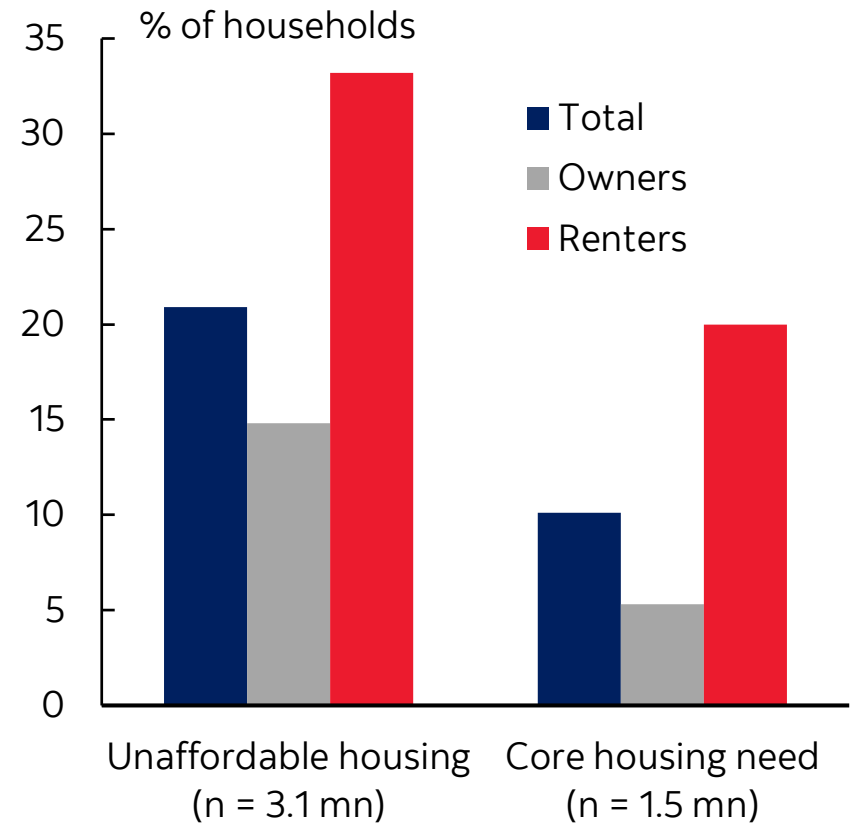
A shift to renting

Home Ownership on the Decline in Canada



Sources: Scotiabank Economics, Statistics Canada.

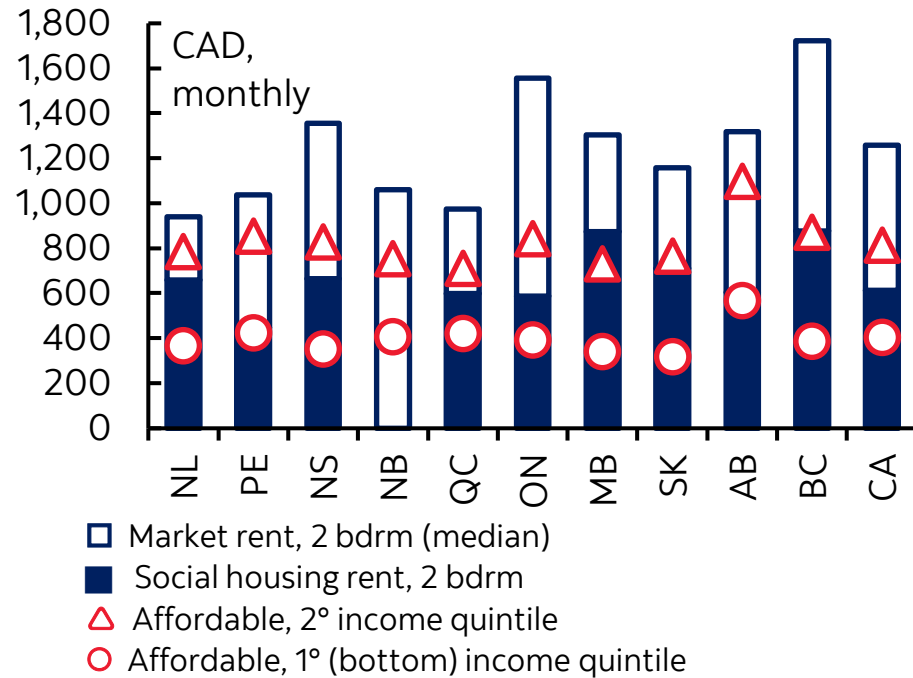
Prevalence of Affordable Housing Need



Sources: Scotiabank Economics, Statistics Canada.

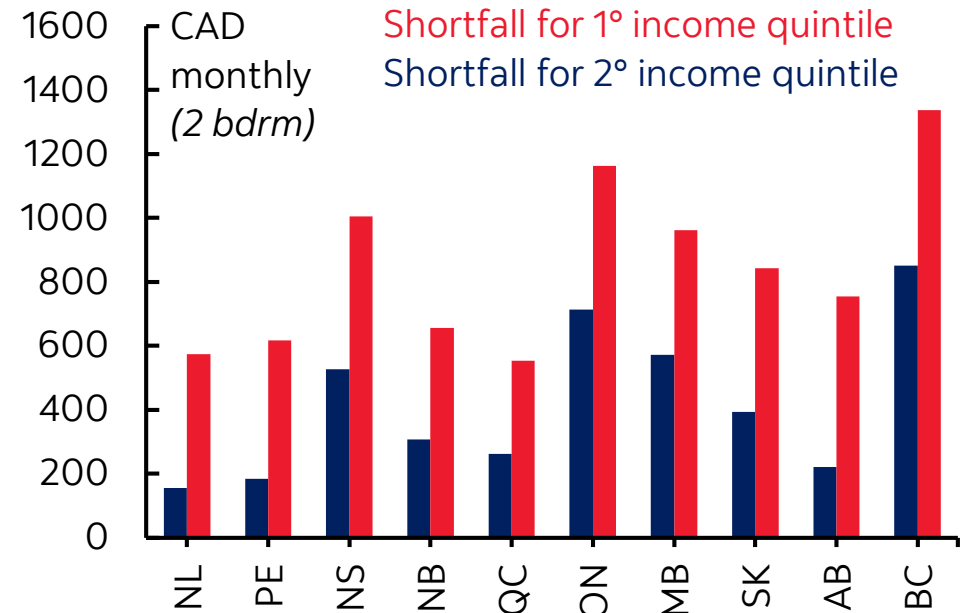
Even more unaffordable

Rent Affordability Gaps



Sources: Scotiabank Economics, Statistics Canada, CMHC. Notes: "Affordable" calculated as 30% of before-tax income of renters (using 2019 income data inflated at 2% to reduce pandemic distortions). Rent prices from 2022. NB social housing data unavailable.

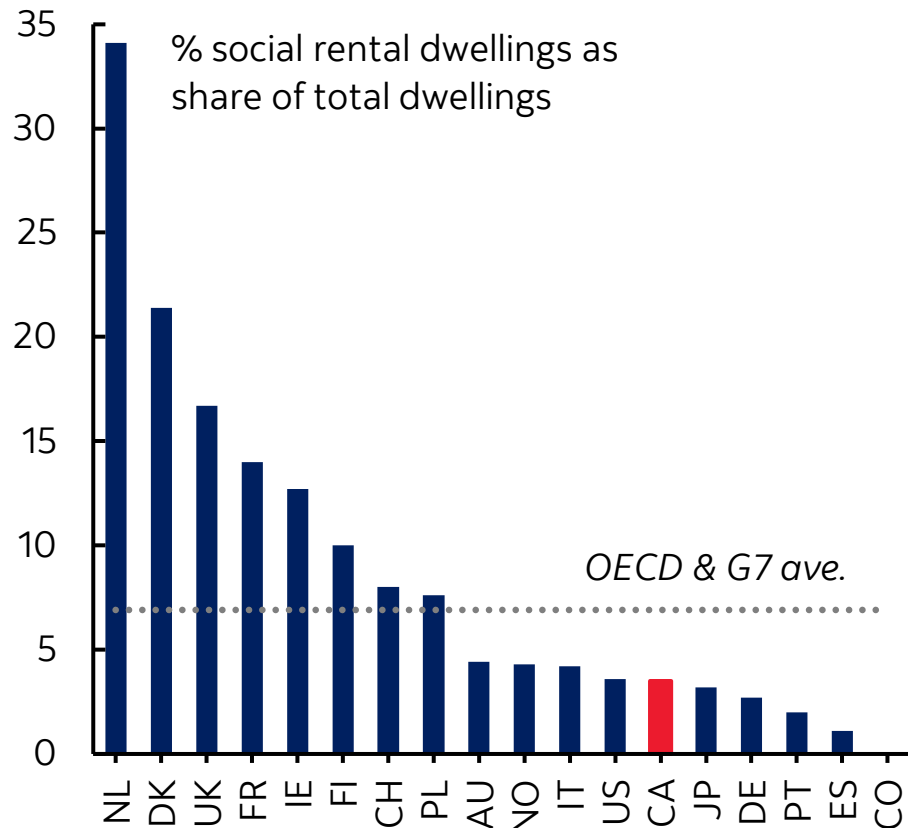
Additional Income Needed to Afford Market Rent



Sources: Scotiabank Economics, Statistics Canada, CMHC. Notes: "Affordable" calculated as 30% of before-tax income of renters (using 2019 income data inflated at 2% to reduce pandemic distortions). Market rent 2022, social rent 2021 data.

Hardly ambitious

Doubling Social Housing Stock Would Bring Canada *Just* to the Peer Average



Sources: Scotiabank Economics, OECD.

First-best still to dramatically increase supply of all types of housing

Simultaneous actions need to tackle supply for those most impacted:

- Dramatic scaling up of investments in social housing
- Share of social housing stock in total housing stock has barely changed in 10 years despite dramatic deterioration in affordability
- Policies that ease the cost of living (e.g., childcare) can help, but they more likely will lead to additional deterioration in affordability in the absence of greater supply

What would/should policymakers (and stakeholders) do differently if the starting premise is that housing affordability in Canada is permanently eroded?

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