FEDERATION OF CANADIAN MUNICIPALITIES
FÉDÉRATION CANADIENNE DES MUNICIPALITÉS

No Vacancy: Trends in Rental Housing in Canada

A QOLRS *In Brief* Report

municipaldata.ca
fcm.ca/qolrs

Quality of Life Reporting System

For more information

For more information contact Leanne Holt, Policy Advisor, at lholt@fcm.ca or 613-907-6234.

Acknowledgements

FCM acknowledges the contribution of Acacia Consulting and Research.

FCM FEDERATION OF CANADIAN MUNICIPALITIES FÉDÉRATION CANADIENNE DES MUNICIPALITÉS

No Vacancy: Trends in Rental Housing in Canada
©2012 Federation of Canadian Municipalities.
All rights reserved.
Federation of Canadian Municipalities
24 Clarence Street
Ottawa, Ontario K1N 5P3
www.fcm.ca

SINCE 1901

DEPUIS 1901

Table of Contents

Letter from the President

A healthy housing market is the cornerstone of a strong economy. With international attention focused on Canada's overheated home-ownership market and record high household debt, it's easy to overlook the important role that rental accommodation plays.

Once again demonstrating the value of community data, this report from FCM's Quality of Life Reporting System (QOLRS) confirms that the rising cost of home ownership and the shrinking pool of affordable rental housing are pushing up rental costs and creating a shortage of housing options in Canada's communities.

Data from 27 municipalities and urban regions show household income failing to keep up with home-ownership costs, which have risen three times faster than income since 2005. At the same time, the number of rental units has declined and the cost of renting in these communities has risen by more than 20% since 2000.

The report identifies several causes for the decline in rental housing. Construction of purpose-built rental housing has stalled at 10% of all new housing starts during the last decade. In addition, for the first time ever, the absolute number of rental dwellings, as recorded in the Canadian census, declined between 2001 and 2006.

Those who depend on the rental market for their first independent homes—young families, recent immigrants, seniors, singles—can only scramble for fewer units, fewer options and higher rents.

While this report focuses on the 27 municipalities and urban regions that account for more than half of Canada's population, a similar story is playing out across rural and northern Canada. In Whitehorse, Yukon, the rapidly expanding economy with its growing demand for workers is straining a tight housing market and driving up housing costs.

Renewed investment in rental construction is crucial. It will give cash-strapped Canadians affordable housing options and ease pressure on the home-ownership market, where mortgages account for 68% of skyrocketing household debt.

Local governments are implementing an array of initiatives to increase and preserve the supply of rental and affordable housing, but they can't get the rental housing market working by themselves.

This is a national problem that requires action from all orders of government. In our January 2012 report, *The Housing Market and Canada's Economic Recovery*, we proposed three cost-effective steps that the federal government can take to kick-start our rental housing market:

- provide low-interest loans to finance new rental construction
- reform the tax system to prevent the demolition of existing rental housing
- provide incentives to lower rental costs through better energy efficiency

In May this year, the House of Commons unanimously passed a motion calling for federal support for municipalities in their work to end homelessness and to adopt measures to expand the stock of affordable rental housing.

A strong national economy depends on a healthy housing market that serves all Canadians. Federal incentives to stimulate the construction and retrofitting of rental housing will create jobs, support our economy and provide needed housing. It's time for federal action on rental housing.

Karen Leibovici
FCM President and Councillor, Edmonton, Alberta

QOLRS *In Brief* Reporting Series

QUALITY OF LIFE IN ANY GIVEN MUNICIPALITY IS INFLUENCED BY A NUMBER OF INTERRELATED ISSUES. AS CANADIANS, WE VALUE VIBRANT, INCLUSIVE COMMUNITIES WHERE APPROPRIATE HOUSING, EDUCATION AND EMPLOYMENT ARE ACCESSIBLE TO ALL.

Fostering communities that preserve the natural environment, protect personal and community health and safety, and enable the social, economic and cultural aspirations of citizens are the central focus of local governments.

The Quality of Life Reporting System (QOLRS) is a program of the Federation of Canadian Municipalities (FCM) and 23 member communities[1] highlighting trends in 27 municipalities and urban regions in Canada. Relying on data from a variety of sources, the QOLRS contains hundreds of variables that measure changes in 10 domains covering social, economic and environmental factors. Taken together, these trends form issues of national importance.

The QOLRS *In Brief* reporting series analyses trends within a specific cluster of domains, providing a snapshot of information about one thematic area. This report focuses on accessibility of and need for purpose-built rental housing in QOLRS communities.

By providing evidence of important trends taking place across the municipal sector, the QOLRS helps to ensure that municipal government is a strong partner in formulating public policy in Canada.

The In Brief reporting series links to FCM's recently launched online data collection and reporting tool: Municipaldata.ca. This tool provides an interactive component to view all QOLRS data and to better share information about actions being taken by Canadian municipalities. Visit http://www.municipaldata-donneesmunicipales.ca/ to learn more.

[1] QOLRS communities account for over 50% of Canada's population and comprise some of Canada's largest urban centres and many of the suburban municipalities surrounding them, as well as small and medium-sized municipalities in seven provinces.

EXECUTIVE SUMMARY

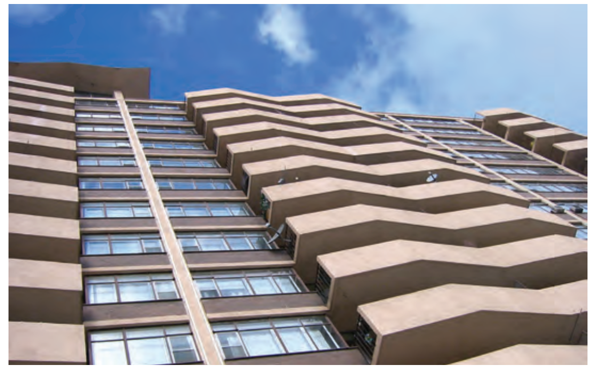
A healthy housing sector that is able to meet a broad range of needs is a vital part of the economic and social wellbeing of a community.

Canadians are currently facing rising costs of homeownership, historically high levels of household debt, with residential mortgages making up 68% of that debt,[2] and record high rental rates.

Data collected across 27 communities through FCM's Quality of Life Reporting System reveal that since 2005 homeownership costs have risen at a rate nearly three times greater than income levels.[3] In the past decade, construction of purpose built rental housing has flat-lined at 10% of all new housing starts, while existing rental stock is diminishing through erosion and conversion to condominium housing.[4] The average cost of renting in QOLRS communities has increased by more than 20% since 2000.[5]

Rental housing is an often overlooked yet important component of Canada's housing system. One-third of Canadians are renters. This includes young Canadians, creating new renter households when they leave the family home; older Canadians, seeking apartment living when they no longer need or want to maintain larger family homes; and new Canadians, a critical component of our future labour force, many of whom initially rent before they transition to home ownership.

FCM's recent report, ***The Housing Market and Canada's Economic Recovery***, points to changing global economic conditions that reflect changing housing needs in Canada.[6] These conditions have created a gap in the construction and housing sectors that can most readily be filled by purpose-built rental housing. The report proposes an array of tax incentives to stimulate the construction of new rental units and preserve existing rental stock.



With the cost of home ownership out of reach for an increasing number of moderate and low-income earners, and thousands more on growing affordable housing wait lists, rental housing is a vital component of a healthy housing sector that can no longer be ignored.

This QOLRS *In Brief* report looks at current trends in rental housing and homeownership in municipalities across Canada. It provides snapshots of initiatives introduced by QOLRS member cities and regions designed to increase investment in purpose-built rental and affordable housing that meets a broad range of housing needs and encourage a healthy housing sector. While economic and demographic circumstances vary regionally, together we share the goal of making safe, affordable housing accessible to all residents.

2 Canada Mortgage and Housing Corporation (CMHC), '*Household Indebtedness*,' Canadian Housing Observer 2011. Pg. 1. Available online at http://www.cmhc.ca/en/corp/about/cahoob/upload/Chapter_3_EN_dec16_w1.pdf.

3 The mean price of a new home in the QOLRS was $406,760 in 2006 and $526,523 in 2010, an increase of 29.5%. Average income in the QOLRS rose from $64,790 in 2005 to $72,059 in 2009, an increase of 11.2%. All figures are in nominal dollars (not adjusted for inflation).

4 CMHC measurements of new purpose-built rental starts include privately-initiated rental apartment structures of three or more units and exclude the secondary rental market, including public housing, row housing rental units, rented rooms in houses, units in buildings with 2 units or less and rented condominiums. While difficult to measure, changes in the secondary rental market may not address the type of housing need created by a decline in new rental housing starts.

5 Mean rent in the QOLRS for a 2 bedroom increased from $715 in 2001 to $891 in 2010 and from $670 in 2001 to $827 in 2010 in all of Canada. Source: Canada Mortgage and Housing Corporation, Rental Housing Survey, 2001-2010. All figures in non-adjusted dollars.

6 Federation of Canadian Municipalities, '***The Housing Market and Canada's Economic Recovery***' January 2012.

GLOSSARY OF TERMS

Affordable Rental Housing: The Canada Mortgage and Housing Corporation (CMHC) defines affordable rental housing as costing less than 30% of before-tax household income, including rent and any payments for electricity, fuel, water and other municipal services.

Primary Rental Housing Market: In its Rental Market Survey CMHC defines the Primary Rental Housing Market as including private rental housing in buildings with 3 or more units (typically purpose-built for rent) and assisted housing units subsidized by the government.

Purpose-built rental housing: residential construction developed for the rental housing market, including, but not limited, to multi-unit rental apartment buildings.

Rental Housing Starts: The proportion of total housing starts that are intended for the rental market. A "start" for the purposes of the Starts and Completions Survey, is defined as the beginning of construction work on a building, usually when the concrete has been poured for the whole of the footing around the structure, or an equivalent stage where a basement will not be part of the structure. Total housing starts include single, semi, row and apartment houses.

Secondary Rental Market: CMHC identifies the following dwelling types as comprising the Secondary Rental Market: Rented single-detached houses; rented double (semi-detached) houses; rented freehold row/town homes; rented duplex apartments (i.e. one-above-other); rented accessory apartments (separate dwelling units that are located within the structure of another dwelling type); rented condominiums; and one or two apartments which are part of a commercial or other type of structure.

Vacancy Rates: A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental. The source for QOLRS data on vacancy rates comes from CMHC's Rental Market Survey. The Rental Market Survey only includes units in privately initiated rental buildings with three or more units. The QOLRS Vacancy Rates by Rental Quartiles are based on a sub-sample of records that provided both the number of vacant units as well as the rents. The QOLRS Total Vacancy Rate is calculated using the rental quartiles and may not match those provided in the CMHC Annual Report.

SOURCES:
CANADA MORTGAGE AND HOUSING CORPORATION, RENTAL MARKET HIGHLIGHTS FALL 2011. AVAILABLE AT HTTP://WWW.CMHC-SCHL.GC.CA/ODPUB/ESUB/64491/64491_2011_B02.PDF?FR=1323883728079

CANADA MORTGAGE AND HOUSING CORPORATION, STARTS AND COMPLETIONS SURVEY, 1991 TO 2010

CANADA MORTGAGE AND HOUSING CORPORATION. HOUSING IN CANADA ONLINE DEFINITIONS. AVAILABLE AT HTTP://CMHC.BEYOND2020.COM/HICODEFINITIONS_EN.HTML

CITY OF TORONTO, '*RENTAL HOUSING SUPPLY AND DEMAND INDICATORS*,' SEPTEMBER 2006. AVAILABLE AT HTTP://WWW.TORONTO.CA/PLANNING/PDF/HOUSING_RENTAL.PDF

STATISTICS CANADA STANDARD STATISTICAL UNITS. AVAILABLE AT HTTP://WWW.STATCAN.GC.CA/CONCEPTS/DEFINITIONS/PRIVDWEL-LOGPRIV-ENG.HTM

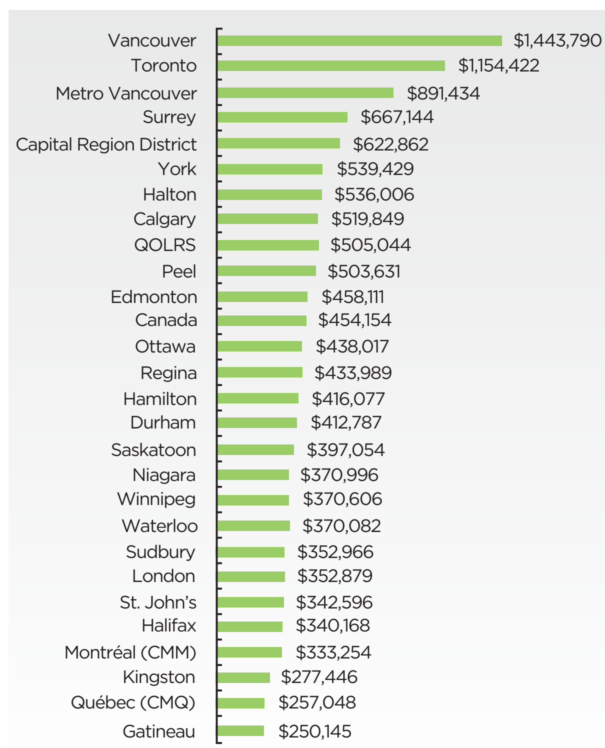
THE COST OF HOMEOWNERSHIP FOR CANADIANS

The communities that make up the Quality of Life Reporting System (QOLRS) represent over 50% of Canada's population. Following a decade of relatively modest growth in housing costs in the 1990s, the average price of buying a new home in Canada nearly doubled from $234,387 to $454,154 between 2001 and 2010. This rise was reflected in QOLRS communities, where new home prices reached an average cost of $505,044 in 2010. The average cost of a new home in Vancouver increased by over $900,000 between 2001 and 2010. This was closely followed by a $700,000 increase in Toronto, $295,794 in Calgary and $275,044 in Regina. Some QOLRS communities, however, experienced below-average increases; Kingston's new home price grew by $107,086 over ten years and Gatineau's new home prices rose by $117,072.

Average incomes have not kept pace with continually rising housing costs. Between 2006 and 2009, average income for the combination of couple-families, lone-parent families, and single persons in QOLRS cities increased by 5.5%, while the average cost of homeownership rose by 22%.[7] A healthy housing price-to-income ratio is generally considered to be four to one; the most recent figures available for the QOLRS show this ratio as greater than seven to one by 2010, an increase from four years earlier when the ratio was slightly greater than 6 to 1.[8]

Further, average incomes for 2009 were lower than in 2008 in both QOLRS communities and the rest of Canada, reflecting the impact of the global economic recession.[9] Statistics Canada reports the largest gap between income and home ownership affordability is experienced by single persons and lone parent families.

FIGURE 1. AVERAGE NEW HOUSING PRICES IN CANADA AND QOLRS COMMUNITIES, 2010



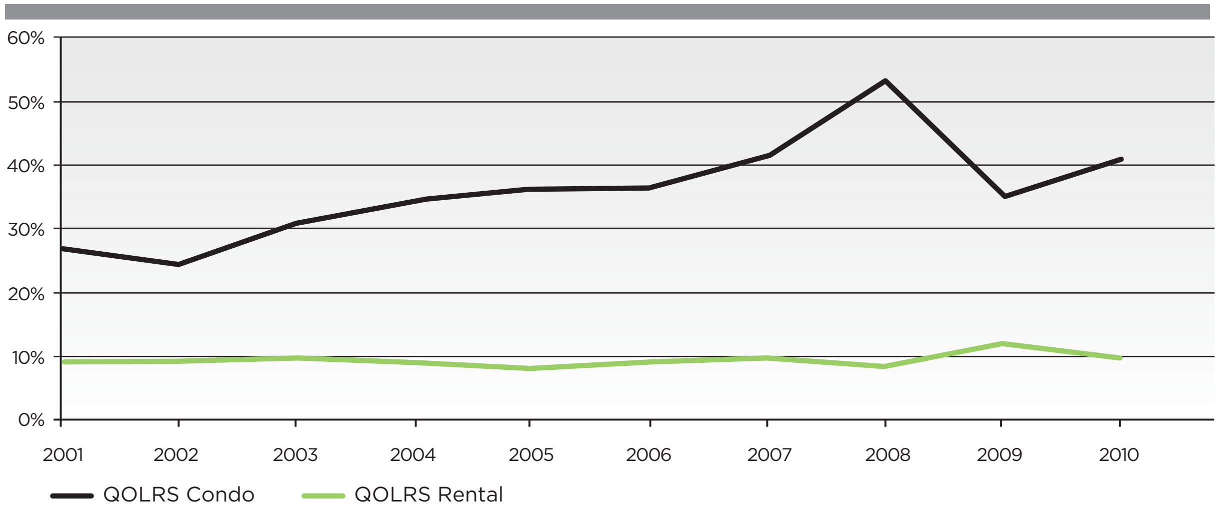
SOURCE: CANADA MORTGAGE AND HOUSING CORPORATION, MARKET ABSORPTION SURVEY, 2010, SPECIAL ORDER FOR THE QOLRS

7 Average income in the QOLRS rose from $68,332 in 2006 to $72,059 in 2009. Average new home cost in the QOLRS rose from $389,981 in 2006 to $502,865 in 2009. All income figures and housing costs are not adjusted for inflation.

8 Average income in the QOLRS was $64,790 in 2005 and $72,059 in 2009, while the average cost of a new home was $389,981 in 2006 and $505,044 in 2010. Housing to income to ratios rely on income reported from the previous year as an indicator of affordability.

9 Source: Statistics Canada, Small Area and Administrative Data Division, 2008-2009. For more on the impact of the global recession on low-income Canadians see 'Bearing the Brunt: How the 2008-2009 Recession Created Poverty for Canadian Families' by the Chandra Pasma, May 2010. Citizens for Public Justice. Available at: http://www.cpj.ca/files/docs/Bearing_the_Brunt.pdf.

FIGURE 2. RENTAL AND CONDO HOUSING STARTS AS A PROPORTION OF ALL HOUSING STARTS, 2001-2010



SOURCE: CANADA MORTGAGE AND HOUSING CORPORATION, STARTS AND COMPLETIONS SURVEY, 2001-2010

Rising housing costs are also cited as a major contributing factor responsible for Canadians' growing household debt. The Bank of Canada and the International Monetary Fund warn that Canadians' 158% level of household debt is too high, with mortgages making up 68% of that debt.[10] The Government of Canada recently made regulatory changes to reduce mortgage amortization periods and protect households from further debt.

There are a range of views about whether or not Canadian house prices are over-inflated and the possible impact if and when the market adjusts. CMHC predicts that "the rise in housing prices combined with limited supply in the resale market, persistently low rental vacancies and rising rents will result in an increase in demand for modestly priced apartments and row condominiums." Growth rates in QOLRS communities saw an annual population growth of at least 1.2% - twice the rate of the rest of Canada[11] between 2001 and 2010. During the same period, York Region grew by an average of 3.7% per year, the City of Calgary by 2.6% and Peel Region by 3.0%.

Housing costs remain higher in QOLRS Communities than in the rest of Canada. In 2010 the average new home price in QOLRS communities was $505,044, compared to $454,154 in all of Canada. This trend held at the lower end of the housing market; 2010 house prices in QOLRS were $325,000 in the lowest quartile (representing the more affordable homeownership market), nearly 8% higher than the Canadian average.

STAGNANT RENTAL HOUSING STARTS

While one-third of Canadian households are renters, strong economic conditions in the late-1990s resulted in a surge in homeownership, reducing the pressure on the demand for rental accommodation. As a result, the relative proportion of rented-to-owned dwellings has been in decline across the country for 20 years. Despite a modest increase in rental starts between 2007 and 2010, less than 10% of housing starts in QOLRS communities since 2001 were intended for the rental market.

To put these figures in perspective, between 2001 and 2010 condominium housing starts in the QOLRS accounted for 36% of all new housing starts; only one rental unit was constructed for every four condominiums built in the QOLRS communities during this 10-year period. The reluctance to invest in rental housing is in large part attributable to the impact of condominium development, which sets the price for multi-residential land and

[10] Canada Mortgage and Housing Corporation (CMHC), 'Household Indebtedness,' Canadian Housing Observer 2011. Pg. 1. Available online at http://www.cmhc.ca/en/corp/about/cahoob/upload/Chapter_3_EN_dec16_w1.pdf.

[11] Source: Statistics Canada, Demographic Division, 2001-2010.

has driven the rate of return for investors down significantly for new rental builds.

Now, as employment and other economic conditions shift, and moderate and low-income households find it increasingly difficult to afford a home, an effective route to increase housing affordability is through purpose-built rental housing. This is of concern to Canada's most populated cities as residents of QOLRS communities are more likely than elsewhere in Canada to be renters.

CONDOMINIUMS AS CONTRIBUTING TO THE RENTAL MARKET

Condominiums represented 29% of all new housing starts in Canada in 2010 and 36% in QOLRS communities. While the primary purpose of condominium construction is for homeownership, there is an upward trend in buyers investing in one or more condominiums and then renting them out, resulting in a supply of rental units. CMHC's October 2011 Rental Market Survey of 11 city centres showed an overall increase in condominium rentals with an average vacancy rate of 2%, well below the balanced vacancy rate of 3%.

In some markets, condominiums play a significant role in rental housing. A 2008 CMHC survey of the Vancouver rental market showed that 27% of Vancouver's condominium stock, and 8% of Ottawa's, was rented. In 2005 condominium rentals in Toronto represented 20% of the total rental supply.[12] Despite this pocket of rental condominium housing, vacancy rates remain low in these cities.

Condominium development also contributes to the erosion of affordable rental. Cities are seeing an overall decline in rental units where the trend is to convert apartment buildings to condominiums, instead of building new condominiums. Condominium rental prices are consistently higher than apartment rents in cities in CMHC rental market survey including Toronto, Ottawa, Calgary and Vancouver.

COMMUNITY SNAPSHOT: REGINA, SASKATCHEWAN

The Challenge: Supporting New Rental Development
Regina's recent condo boom has not come at the expense of its rental housing stock, thanks to the innovative and progressive municipal incentives for new rental housing.

Actions Taken: In 2009, the City adopted a new housing policy aimed at encouraging the construction of new housing in inner-city areas and stimulating new rental housing development city-wide. Policies include tax incentives for small infill projects, property tax exemptions for rental developments and a $10,000 per unit capital contribution for affordable housing. The City protects rental stock through a moratorium on apartment-to-condominium conversions when the vacancy rate dips below 3%.

SOURCE: CITY OF REGINA STAFF

[12] City of Toronto, 'Rental Housing Supply and Demand Indicators,' September 2006, p. 7. Available at http://www.toronto.ca/planning/pdf/housing_rental.pdf.

Investment in new rental housing is typically lower in QOLRS communities than the rest of Canada, with relatively fewer starts intended for the rental market. Two notable exceptions were the rental markets of Saskatoon and Regina. Both communities experienced dramatic increases in rental starts in 2010 as a result of local government initiatives for new rental housing incentives. From 2007 to 2009, 2.7% of new units built in Saskatoon and 5.5% in Regina were intended for the rental market. In 2010 this increased to 12.2% and 19.1% respectively.

With its booming economy, Saskatoon's vacancy rate hit critically low levels of less than 1% by 2007. Market forces were not responding adequately: in 2009, less than one in 500 new housing starts was purpose-built rental. In 2010, the City of Saskatoon stepped in with two municipal initiatives. A $5,000 per unit incentive grant and a five-year incremental tax rebate for purpose-built rental housing saw new rental housing starts rise to 12.2%. Under the fund, new units must remain rentals for 15 years and conversions are not permitted.

RENTAL DEMAND PUSHING UP PRICES

QOLRS communities continue to experience pressure on the local rental market with relatively lower vacancies than the rest of Canada.

A balanced rental vacancy rate is widely accepted as 3%, meaning that of every 100 rental units, three are physically unoccupied and available for immediate rental. Vacancy rates falling consistently below the 3% equilibrium rate generally correlate with upward pressure on rents. (see Figure 5). In 2010, nearly half of QOLRS cities reported critically low vacancy rates of less than 2%, including Ottawa at 1.8%, Vancouver and St. John's at 1.4%, Regina at 1% and Winnipeg, with the tightest vacancy rate, at 0.9%. The 2010 average for all QOLRS communities was 2.6% compared to Canada's 3.1%.

Rents across Canada continue to increase annually with monthly rents consistently higher in the QOLRS communities than the rest of Canada. By 2010, the median monthly rent for a two-bedroom apartment in QOLRS communities rose to $850 from $661 in 2001, compared to the Canadian average rent of $775, which rose by $169 over the same period.[13]

In 2010, median rent in Vancouver was significantly higher than other communities; the $1,400 price for a two bedroom was $325 higher than in Halton Region, the community with the second highest rents nationally. These are followed closely by Peel at $1,060 and Toronto, York and Calgary at $1,050. Even the least expensive apartments cost more in the QOLRS communities as compared to the rest of Canada. Monthly rent for the lowest quartile apartments in QOLRS communities was an average of $35 higher than the rest of Canada (see Figure 3). By 2010, the rent for a 2 bedroom in the lowest quartile was $625 for Canada and $675 in QOLRS communities.

COMMUNITY SNAPSHOT: KINGSTON, ONTARIO

The Challenge: Low-Income Renters
In 2006, 48.4% of renter households spent 30% or more of their household income on housing and 12.0% of renter households spent 70.0% or more of their income on housing costs.

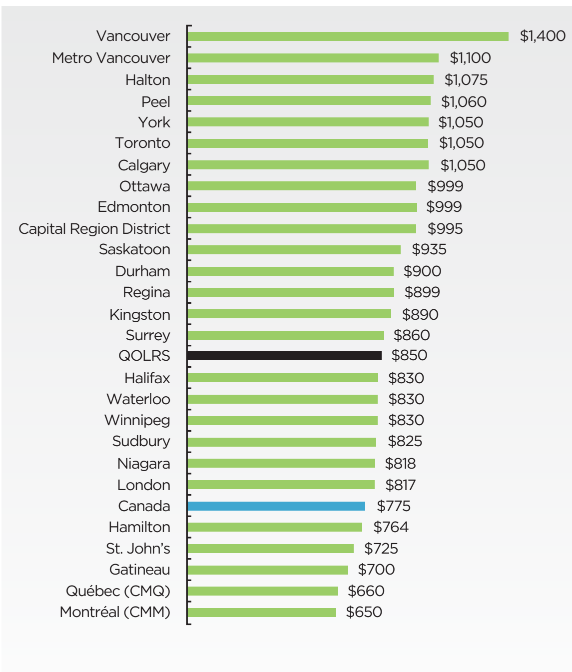
Actions Taken: In 2011 the City created the Housing Strategy Implementation Plan. The Plan outlines five action areas, including recommended targets for increases to the rental housing stock over the next ten years. The City is also considering recommendations for a more flexible regulatory environment for land use planning and development approvals.

SOURCE: CITY OF KINGSTON. 'A PLACE FIRST': A COMMUNITY PLAN ON HOUSING AND HOMELESSNESS IN KINGSTON

13 Figures presented are in non-adjusted dollars.

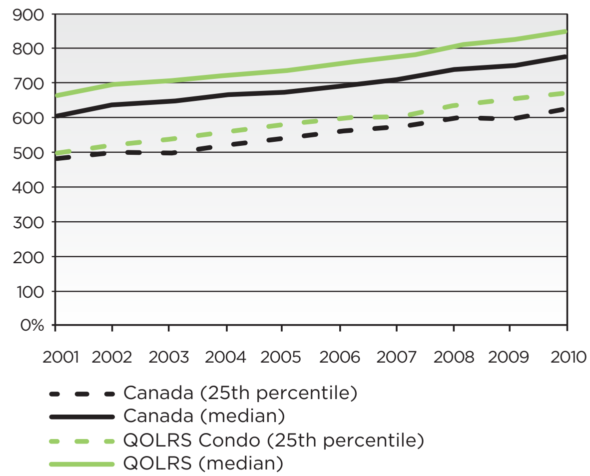
In the Region of Durham, Ontario, the 2010 vacancy rate for private apartments just met the balanced rate of 3%. The City attributes the relative availability of rental units to low mortgage rates making home ownership more affordable to some sectors of the population. However, renters in Durham earn on average less than half as much as homeowners and their incomes have not increased at the same pace. Moreover, a 2011 study by the Region found the majority of one person renter households cannot afford to rent any unit type, regardless of size.

FIGURE 4. MEDIAN RENT IN CANADA AND QOLRS COMMUNITIES FOR 2 BEDROOM APARTMENT, 2010



SOURCE: CANADA MORTGAGE AND HOUSING, MARKET ANALYSIS CENTRE, RENTAL MARKET SURVEYS, 2010, SPECIAL ORDER FOR THE QOLRS

FIGURE 3. CHANGE IN RENTS, MEDIAN AND LOWEST QUARTILE, FOR 2 BEDROOM APARTMENT, 2001-2010 HOUSING STARTS, 2001-2010



SOURCE: CANADA MORTGAGE AND HOUSING, MARKET ANALYSIS CENTRE, RENTAL MARKET SURVEYS, 2010, SPECIAL ORDER FOR THE QOLRS

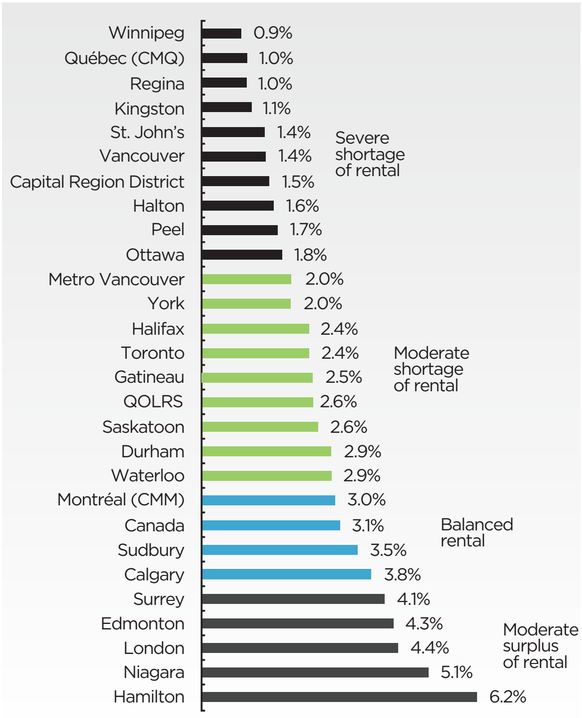
COMMUNITY SNAPSHOT: VANCOUVER, BRITISH COLUMBIA

The Challenge: Supporting Private Sector Rental Development

The City of Vancouver has one of the tightest rental markets in the country and the highest average rents in the QOLRS. Vancouver estimates the region needs 1070 new rental units per year to adequately address housing demand, yet only 385 new rental units were built in each of the last five years.

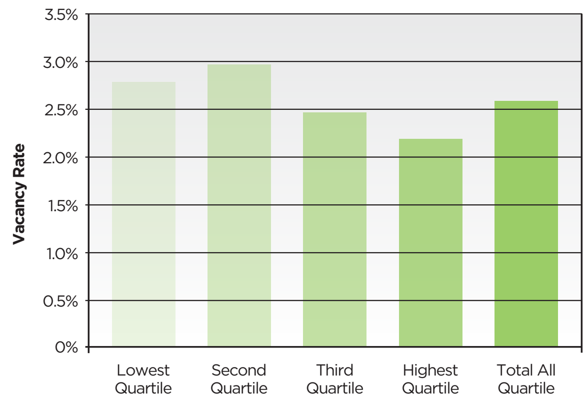
Actions Taken: In 2009 the City of Vancouver introduced the Short Term Incentives for Rental Housing (STIR) program, a 30-month initiative aimed at supporting the construction industry by encouraging the development of new market rental housing. The incentive package includes a reduced number of required parking spaces, increased density, expedited permit processing and, in the case of for-profit affordable housing, a waiver of the Development Cost Levy.

FIGURE 5. VACANCY RATE FOR CANADA AND QOLRS COMMUNITIES, 2010.



SOURCE: CANADA MORTGAGE AND HOUSING, RENTAL MARKET SURVEY, 2001-2010, SPECIAL ORDER FOR THE QOLRS
NOTE ON DATA: QOLRS TOTAL VACANCY RATES ARE CALCULATED USING QOLRS RENTAL QUARTILES AND MAY NOT BE EQUAL TO THAT PUBLISHED IN THE CMHC ANNUAL REPORT.

FIGURE 6. VACANCY RATES IN QOLRS COMMUNITIES, FOR ALL QUARTILES, 2010



SOURCE: CANADA MORTGAGE AND HOUSING, RENTAL MARKET SURVEY, 2001-2010, SPECIAL ORDER FOR THE QOLRS
NOTE ON DATA: QOLRS VACANCY RATES BY RENTAL QUARTILES ARE BASED ON A SUB-SAMPLE OF RECORDS THAT PROVIDED BOTH THE NUMBER OF VACANT UNITS AS WELL AS THE RENTS.

The vacancy rate for the lowest quartile of rental units in the QOLRS communities was significantly higher than the vacancy rates for more expensive rental units. This may suggest that the relatively poor quality of the cheapest rental housing stock is driving some households to rent more expensive units. This factor also suggests the reality that even the most affordable apartments are out of the price range of many of the lowest-income households (see Figure 6).

The Canadian Rental Housing Supply Coalition argues that an increase in the overall rental supply will ease the overall demand for housing and increase the supply of affordable rental housing. FCM has also reported on the economic benefits of new rental construction and retrofits of the existing stock. Investment in new rental construction and repairs of poorer-quality housing stock will create jobs in residential construction as stimulus funding ends.

CONCLUSION: MEETING CANADA'S HOUSING NEEDS

Canadians and their governments can no longer rely on homeownership alone to meet housing needs. The fundamentals that supported growth in home ownership—declining mortgage rates, extended mortgage terms, low down payments, and a strong economic outlook—have ended.

Taken together, the indicators reviewed here suggest the need to increase and preserve purpose built rental housing to bring rental vacancy rates into balance and ease the pressure on Canada`s homeownership market.

Beyond the immediate economic benefits of increased rental construction and related employment spin-offs, a healthy rental market will support a more mobile workforce and give young families, new immigrants, and seniors higher-quality, lower-cost rental options.

FCM`s report on *The Housing Market and Canada`s Economic Recovery* calls on all orders of government to work with the housing sector to remove barriers to investment in rental housing to provide a balanced mix of housing options able to meet the long-term financial realities of a changing population.

FCM has proposed three options the federal government can adopt to make it easier to invest in and expand our rental housing market:

1. The Building Canada Rental Development Direct Lending Program to stimulate investment in new market-priced rental units
2. The Rental Housing Protection Tax Credit to preserve and stop the serious erosion—through demolition and conversion to condominiums—of existing lower-rent properties
3. The Eco-energy Rental Housing Tax Credit to improve the quality of the rental stock; reduce high utility costs for tenants; reduce emissions and environmental impact; and increase resale and future rental value to landlords

COMMUNITY SNAPSHOT: HAMILTON, ONTARIO

The Challenge: Stimulating Affordable Housing Development in a Balanced Rental Market

In spite of population growth, the lower cost of home ownership in Hamilton has allowed the rental vacancy rate to remain above 3%. However, since the mid-1990s there has been very little production in Hamilton's purpose-built housing sector and the City experienced a net loss of 789 rental units over the past ten years as a result of condominium conversion and demolition.

Actions Taken: The City supports new affordable housing projects by waiving of development charges and cash in lieu of parkland dedication fees for projects built under Federal, Provincial and/or City of Hamilton or City Housing Hamilton programs. The City also offers a reduced multi-residential tax rate for new rental buildings. To date, 731 new rental units have been built under the Federal/Provincial Affordable Housing Program.

SOURCES: EXAMINING THE HOUSING AND HOMELESSNESS ENVIRONMENT IN HAMILTON, OCTOBER 2011; CITY OF HAMILTON STAFF

Community Snapshots

Local governments have taken steps within their jurisdictions to increase and preserve the supply of rental and affordable housing: providing tax exemptions, encouraging intensification and redevelopment, and streamlining approvals. As shown throughout this report and in the community snapshots, municipal governments across the country are taking a leadership role by working with partners in the public and private sectors to create policies that will help to create rental housing that meet the needs of their particular communities.

SNAPSHOT:
CALGARY, ALBERTA

The Challenge: To address the need for affordable housing, which has remained relatively consistent at 18% of all households (renters and owners) since 1991, the City of Calgary is guided by its *Corporate Affordable Housing Strategy*. Various roles are identified from funding preventative social services to the development and management of affordable housing, among others.

Actions Taken: In 2009, the City of Calgary implemented the Enterprise Housing Program, an umbrella capital program that delivers units through a comprehensive buy/build/partner/create incentives approach, to create non-market (affordable) housing that are long-term City assets and also supports non-profits through land leases.

Under the grants program, the City of Calgary has committed almost $6 million towards 200 safe and affordable secondary suites, and a further $620,000 through the Financial Incentive Program to support 1,283 non-market and near-market rental units. The Calgary Housing Company also manages several projects using a mixed-income approach whereby near-market rents support deep subsidy rents. This approach provides operational sustainability and meets the needs of low-to-moderate income individuals and families in Calgary.

SOURCE: CITY OF CALGARY STAFF

SNAPSHOT: DURHAM, ONTARIO

The Challenge: Declining Rental Housing Stock
Since the Province terminated funding for new social housing in 1995, leaving rental construction to the private market, almost no new private and public (government subsidized) rental housing was built in the Region of Durham.

Actions Taken: The Region of Durham has partnered with the Federal and Provincial government's Affordable Housing Program (AHP), Rental & Supportive Housing component. Through these programs, more than $22.7 million in federal and provincial funding has been allocated toward developing new affordable rental housing in Durham. To date, a total of 299 affordable rental units have been constructed or are under development in Durham.

SOURCE: REGION OF DURHAM, SEPTEMBER 2010 SUPPLY OF HOUSING AND DEVELOPMENT ACTIVITY REPORT

SNAPSHOT: GATINEAU, QUEBEC

The Challenge: Working with Non-Profits and Co-operative Organizations on Affordable Housing
Since 2002 Gatineau has participated in the construction of housing through the AccèsLogis program managed by the Société immobilière du Québec (SIQ) by offering a dedicated social housing fund. Project proposals come from cooperatives and nonprofit organizations mandated to serve low-income residents.

Actions Taken: In 2009, Gatineau became "city attorney" in the AccèsLogis program (Montreal and Quebec are the only two other cities with the status of "city attorney" in Quebec). This status allows Gatineau to take responsibility for management of the AccèsLogis program to ensure effective monitoring of grants, develop synergy with the business cooperative and non-profits, and facilitate timely project delivery. Since Gatineau assumed this role 573 homes have been built or are under construction in the region and $55 million has been allocated towards implementation.

SOURCE: CITY OF GATINEAU STAFF

SNAPSHOT: PEEL REGION, ONTARIO

The Challenge: Increasing Affordable Rental Stock
Peel Region has a diverse population base where 21.9% of households rent. With an average overall vacancy rate of 1.8% in 2010, rental housing starts have not kept pace with demand.

Actions Taken: In 2010 Peel Regional Council adopted 56 housing-related policies, including encouraging area municipalities to regulate the conversion of rental units and prohibiting the demolition of existing rental units without replacement. Regional Council also approved annualised Regional funding of $17.1 million to support initiatives presented in the Housing Investment Plan.

SOURCE: REGION OF PEEL HOUSING STRATEGY, 2010.

SNAPSHOT: LONDON, ONTARIO

The Challenge: Converting Vacant Spaces to Rental Units
The City of London demonstrates a strong commitment to providing safe and affordable rental housing with a $2 million annual contribution towards meeting its housing objectives.

Actions Taken: In addition to substantial investment in affordable housing projects, since 2004 London has offered a unique Convert-to-Rent and Rehabilitation Assistance Program. This program works in tandem with the Canada Mortgage & Housing Corporation (CMHC)–Residential Rehabilitation Assistance Program (RRAP) to encourage the conversion of vacant space in commercial areas to self-contained rental residential units. There is also support for the redevelopment or conversion of vacant and/or underutilized residential and non-residential structures to new rental units.

SOURCE: CITY OF LONDON CONVERT TO RENT WEBSITE AND LONDON COMMUNITY AFFORDABLE HOUSING STRATEGY

SNAPSHOT: TORONTO, ONTARIO

The Challenge: Partnering for Affordable Housing
In 2009, the City of Toronto identified a shortage in affordable housing stock and an increasing number of people on waiting lists for social housing.

Actions Taken: Through the National Economic Action Plan (2009 – 2011), the City of Toronto has successfully partnered with the federal and provincial governments to create 2,712 new affordable homes for some 5,200 Torontonians. Toronto residents being served include seniors, persons with disabilities, single mothers and their children, Aboriginal persons and other low and moderate income families and individuals. The creation of new affordable homes has also had a significant impact on the local economy, creating more than 6,700 jobs.

SOURCE: CITY OF TORONTO STAFF

SNAPSHOT: REGION OF WATERLOO, ONTARIO

The Challenge: Combating Low Vacancy Rates Through Investment in Affordable Housing
The 2001 market vacancy rate in the Region of Waterloo was less than 1%, but through a long-term commitment to new affordable housing units the Region brought the vacancy rate up to a balanced 3% while increasing capital expenditures by the local construction industry.

Actions Taken: Waterloo has been highly successful in finding housing partnerships; every $1 spent by the Region on housing initiatives leveraged $13 from other sources. The Region met its goal of constructing more than 1500 units between 2001 and 2008 and is currently three quarters of the way to achieving its new goal of 500 new affordable housing units by the end of 2013. The new units will be focused on the priority areas of housing for the lowest income households in the Region and supportive housing.

SOURCE: REGION OF WATERLOO AFFORDABLE HOUSING STRATEGY

FEDERATION OF CANADIAN MUNICIPALITIES
FÉDÉRATION CANADIENNE DES MUNICIPALITÉS

WWW.FCM.CA