

Universal Periodic Review (Canada) – Statistical Annex

August 27, 2008

Housing inaffordability

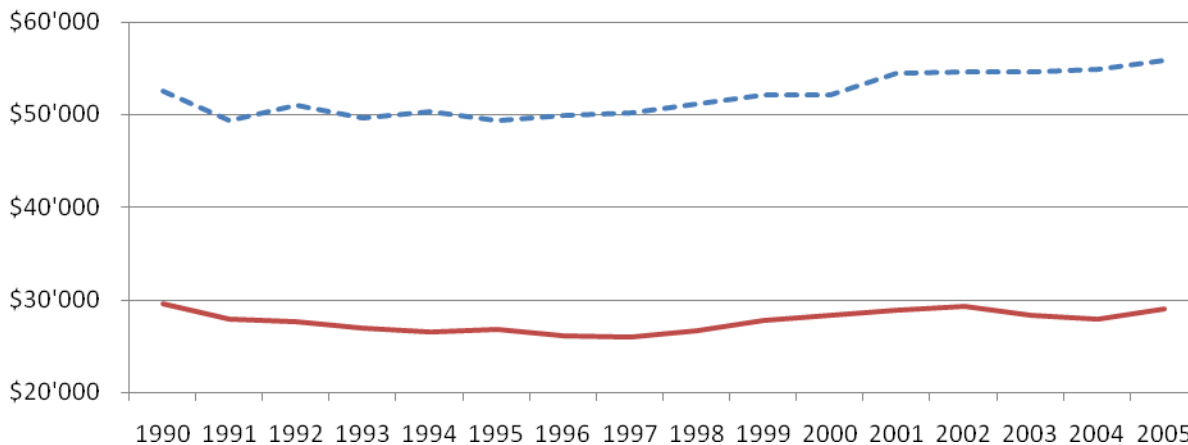
Table 1: Canadian households paying 30% or more on shelter

All		Owners		Renters	
2001	2006	2001	2006	2001	2006
24.1%	24.9%	16.0%	17.8%	39.6%	40.3%

Source: Statistics Canada, 2006 Census

1. One-in-every-four households – that’s three million households or more than eight million women, men and children – are spending 30% or more of their income on shelter (that’s the commonly-accepted danger zone – spending more means less money available for food, medicine, energy, transportation, childcare and other necessities)¹.

Chart 1: Stagnant median household incomes – renters and owners



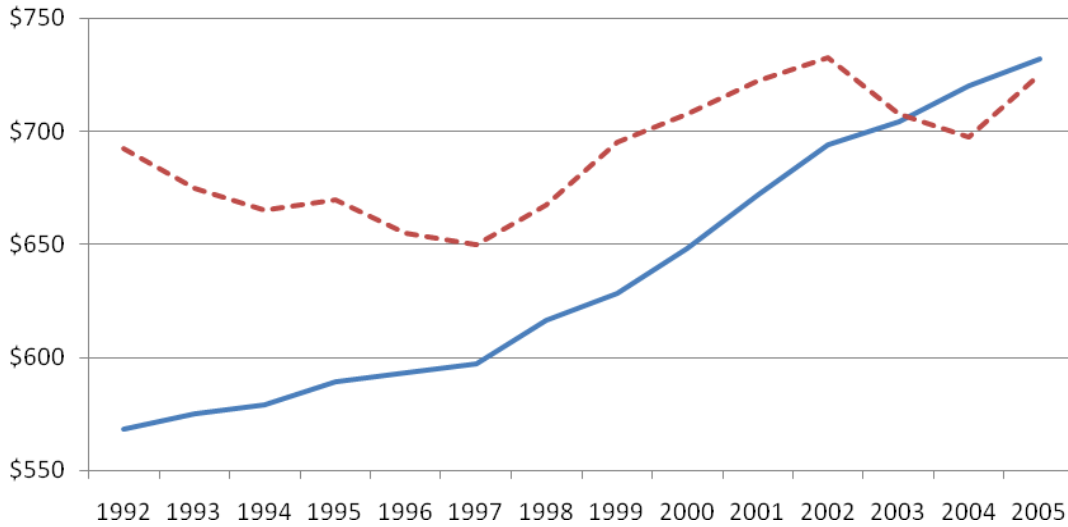
Median owner household incomes (dotted line) up slightly, and renter household incomes (solid line) down slightly.
 Sources: Survey of Consumer Finances, Survey of Labour and Income Dynamics

2. Owner households (median income in 2005: \$55,800) have incomes about double those of renter households (median income in 2005: \$29,000)². By 2003, rents charged by private landlords had risen above the affordable median rent (affordable rent for half of tenant households – or more than five million women, men and children).

¹ Statistics Canada, *Changing Patterns in Canadian Homeownership and Shelter Costs*, 2006 Census

² Statistics Canada, *Survey of Labour Income and Dynamics*, 2005

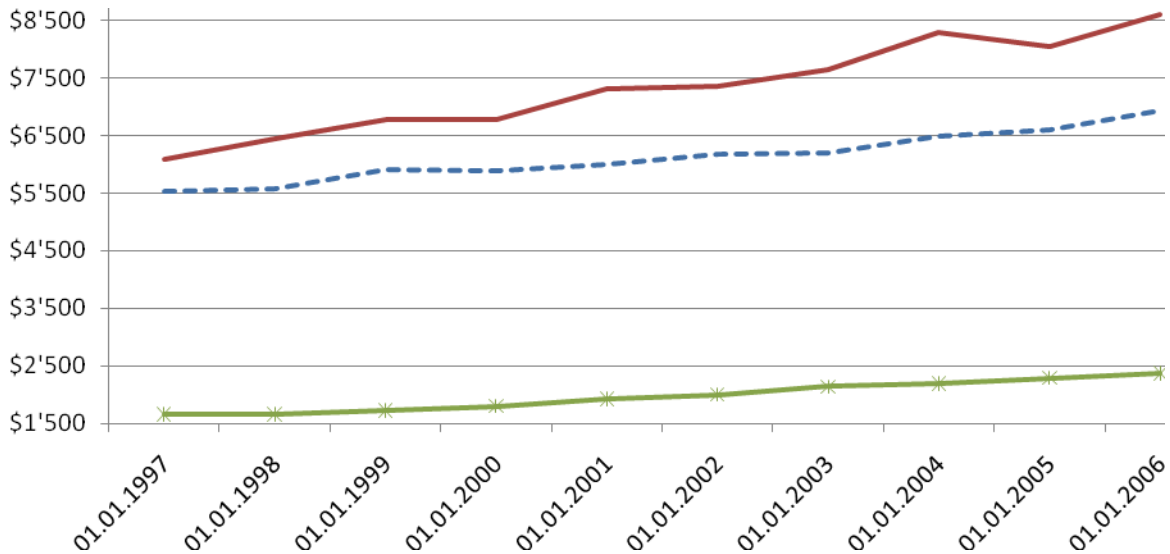
Chart 2: Rising private market rents have eclipsed affordable rents



Private market rents (solid line) have risen steadily, while affordable median rent has dipped (dotted line).
Sources: CMHC rental market surveys, Survey of Labour and Income Dynamics, Wellesley Institute calculations

- While household incomes have stagnated over the past decade, median shelter costs for owners and renters have jumped faster than inflation – a 25% increase for renters from 1997 to 2006 and 41% for owners (compared to a 21% rise in the Consumer Price Index)³. Canadians experienced a larger increase in water, fuel and electricity – which grew by 43%.

Chart 3: Rising cost of shelter, water and utilities

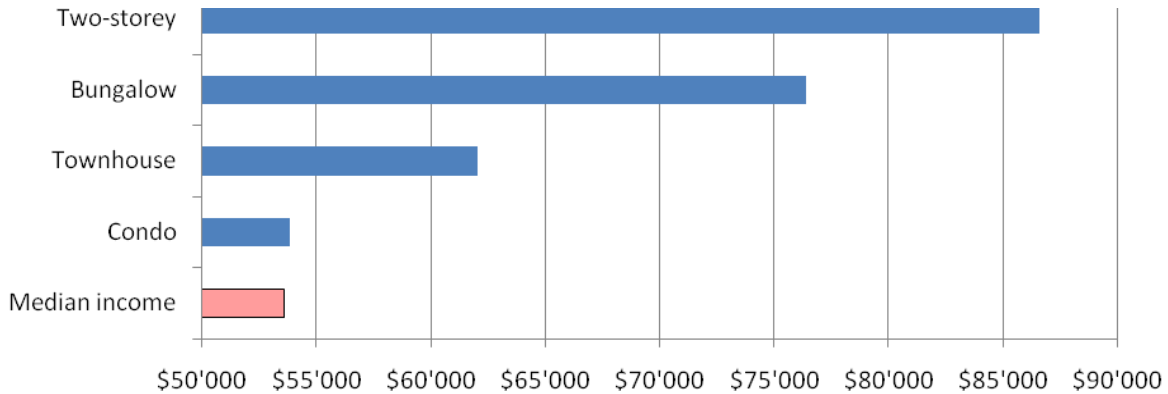


Owner costs (solid line), renter costs (dotted line) and water, fuel and electricity (hatched line) have risen steadily.
Sources: Statistics Canada Survey of Household Spending

³ Shelter costs from Statistics Canada, Survey of Housing Spending; CPI from Bank of Canada calculator

- Owned housing is increasingly inaccessible for Canadians. The median income in 2006 was less than the qualifying income required in 2008 for the least expensive housing, and well below the qualifying income for other forms of owned homes.

Chart 4: Inaffordability of ownership housing

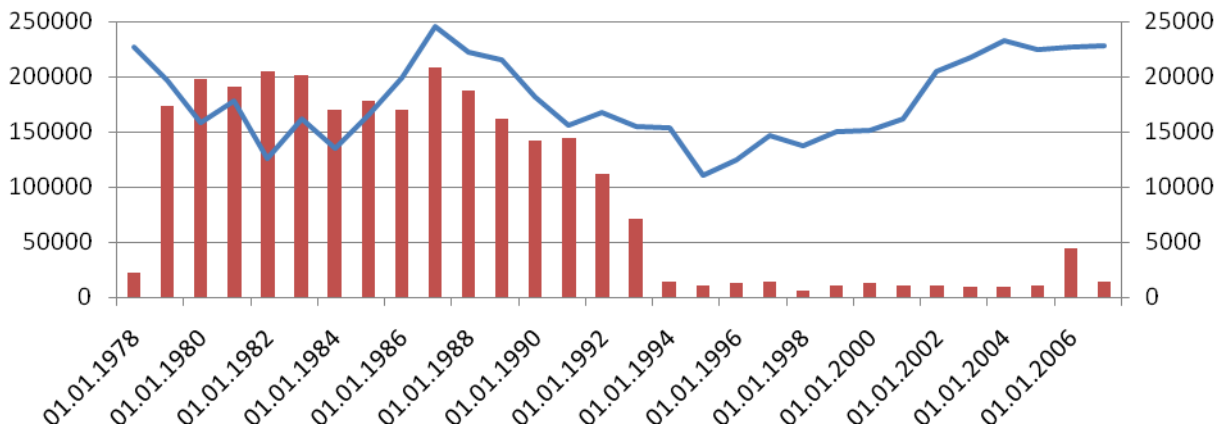


Sources: Statistics Canada Census of Canada, 2006; RBC Economics, Housing Affordability, March 2008

Sharp decline in affordable housing supply

- The policy rationale for the housing cuts of the 1980s and 1990s was that as government investments were cut, private developers would pick up the slack. There have been a growing number of new housing starts since 1994, including a near-record level by 2004. But the cost of that housing has been increasing expensive – excluding a growing number of low, moderate and even middle-income households. In the early 1980s, more than one-in-ten new homes were truly affordable, by 2007, it was less than one-in-one-hundred.

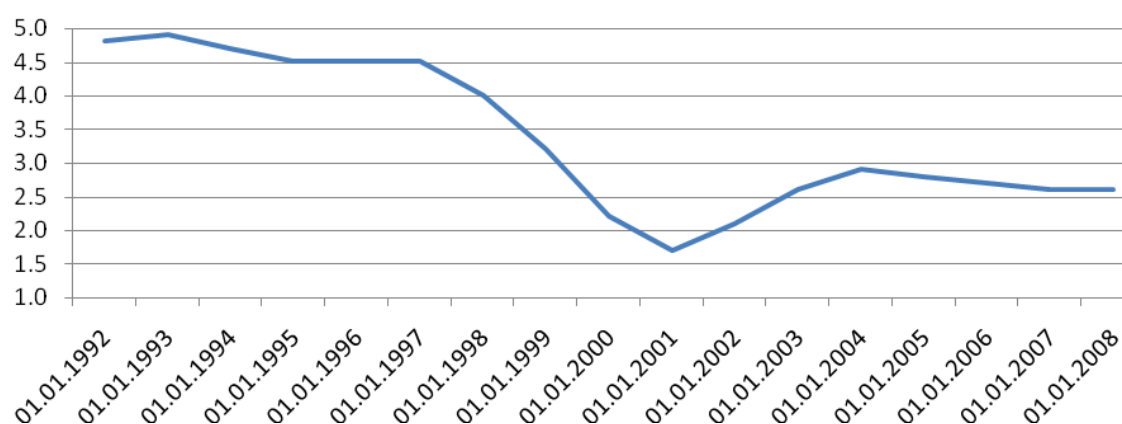
Chart 5: New market housing starts rise as truly affordable homes fall



Overall new housing starts (solid line / left axis); new federally-funded social housing (bars / right axis). Source: Canada Mortgage and Housing Corporation

6. The rental vacancy rate – the most widely-accepted measure of the adequacy of private rental housing – has been below 3% (the threshold for an unhealthy rental market) for eight years.

Chart 6: Canada's rental vacancy rate



Source: Canada Mortgage and Housing Corporation

Canada's housing investments shrinking

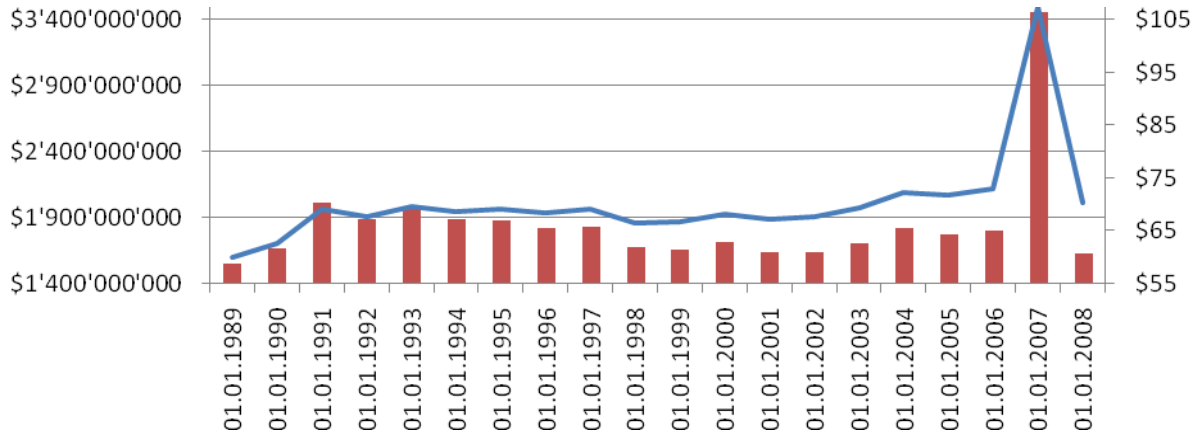
Table 2: Federal, provincial, territorial, municipal housing spending

Year	Spending	GDP	Pop	Per capita	Per GDP
3/31/1989	\$ 3,169,000,000	\$ 657,728,000,000	27152445	\$ 117	0.48%
3/31/1990	\$ 3,308,000,000	\$ 679,921,000,000	27573209	\$ 120	0.49%
3/31/1991	\$ 3,871,000,000	\$ 685,367,000,000	27936263	\$ 139	0.56%
3/31/1992	\$ 3,981,000,000	\$ 700,480,000,000	28264832	\$ 141	0.57%
3/31/1993	\$ 4,113,000,000	\$ 727,184,000,000	28597431	\$ 144	0.57%
3/31/1994	\$ 3,976,000,000	\$ 770,873,000,000	28905452	\$ 138	0.52%
3/31/1995	\$ 3,885,000,000	\$ 810,426,000,000	29210978	\$ 133	0.48%
3/31/1996	\$ 3,948,000,000	\$ 836,864,000,000	29515159	\$ 134	0.47%
3/31/1997	\$ 4,053,000,000	\$ 882,733,000,000	29819070	\$ 136	0.46%
3/31/1998	\$ 3,732,000,000	\$ 914,973,000,000	30081925	\$ 124	0.41%
3/31/1999	\$ 3,816,000,000	\$ 982,441,000,000	30317125	\$ 126	0.39%
3/31/2000	\$ 3,519,000,000	\$ 1,076,580,000,000	30597172	\$ 115	0.33%
3/31/2001	\$ 3,723,000,000	\$ 1,108,050,000,000	30912657	\$ 120	0.34%
3/31/2002	\$ 3,420,000,000	\$ 1,152,910,000,000	31265843	\$ 109	0.30%
3/31/2003	\$ 3,624,000,000	\$ 1,213,180,000,000	31577688	\$ 115	0.30%
3/31/2004	\$ 3,833,000,000	\$ 1,290,830,000,000	31894707	\$ 120	0.30%
3/31/2005	\$ 3,880,000,000	\$ 1,375,080,000,000	32205936	\$ 120	0.28%
3/31/2006	\$ 4,244,000,000	\$ 1,446,310,000,000	32543059	\$ 130	0.29%
3/31/2007	\$ 4,435,000,000	\$ 1,531,430,000,000	32870726	\$ 135	0.29%
3/31/2008	\$ 4,575,000,000		33223840	\$ 138	

Source: Statistics Canada, Government Revenues and Expenditures

7. For the past quarter-century, federal governments have slashed housing investments, cut programs and downloaded housing to the provinces and territories. There was a one-year surge in spending in 2007 as the government allocated \$1.4 billion authorized by the minority Parliament of 2005. By 2008, investment had dropped by 5% from 2006 – a cut equal to the biggest cuts during the mid-1990s. Per capita federal housing spending is at its lowest level in two decades.

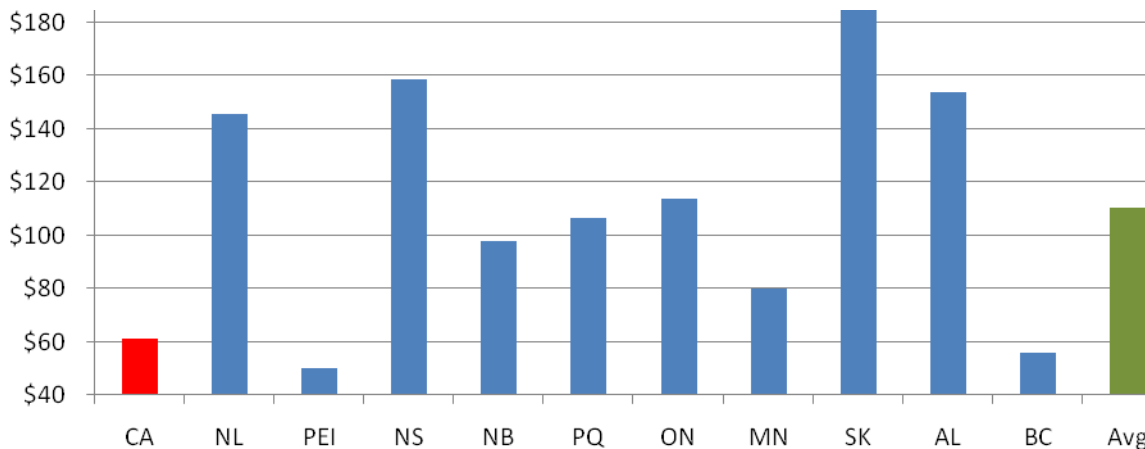
Chart 7: Federal housing spending and per capita spending on housing



Federal housing spending – solid line, left axis; per-capita housing spending – bars, right axis.
Sources: Statistics Canada Survey of Government Expenditures and Revenues, 1989 – 2008;
Statistics Canada population estimates; Wellesley Institute calculations

8. Federal housing spending, on a per capita basis, at \$61 is just over half of the average of Canada’s provinces (including municipal contributions). Only British Columbia and Prince Edward Island have a worse record on per capita investments.

Chart 8: Federal and provincial housing investments per capita, 2008



Provincial numbers include municipal investments in housing programs.
Sources: Statistics Canada Survey of Government Expenditures and Revenues, 1989 – 2008;
Statistics Canada population estimates; Wellesley Institute calculations

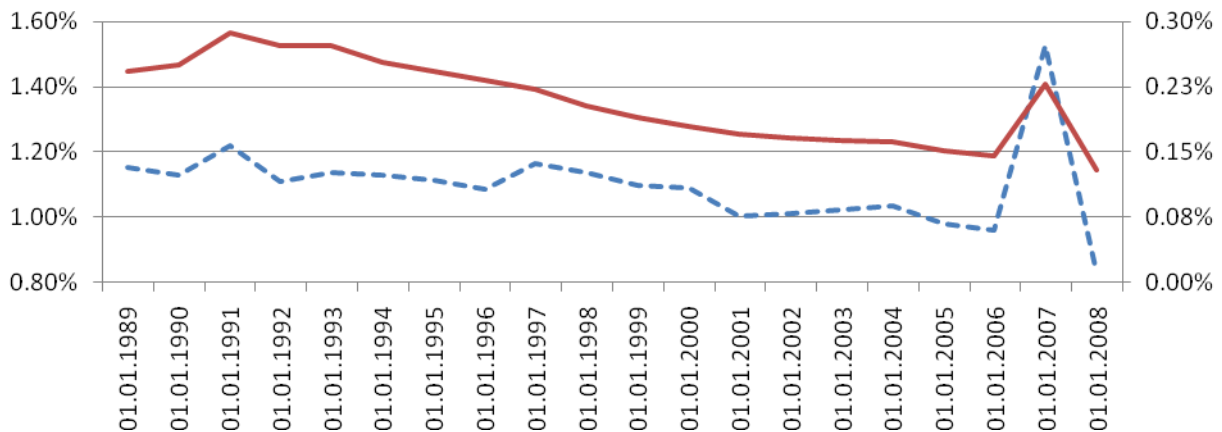
9. While the fiscal capacity of the federal government to support increased housing investments has grown in recent years, the relative share for housing investments has shrunk. Federal housing investment as a percentage of the GDP is at its lowest level in two decades.

Table 3: Federal only housing spending

Year	Federal only	GDP	Pop	Per capita	Per GDP
3/31/1989	\$ 1,598,000,000	\$ 657,728,000,000	27152445	59	0.24%
3/31/1990	\$ 1,702,000,000	\$ 679,921,000,000	27573209	62	0.25%
3/31/1991	\$ 1,965,000,000	\$ 685,367,000,000	27936263	70	0.29%
3/31/1992	\$ 1,904,000,000	\$ 700,480,000,000	28264832	67	0.27%
3/31/1993	\$ 1,980,000,000	\$ 727,184,000,000	28597431	69	0.27%
3/31/1994	\$ 1,945,000,000	\$ 770,873,000,000	28905452	67	0.25%
3/31/1995	\$ 1,962,000,000	\$ 810,426,000,000	29210978	67	0.24%
3/31/1996	\$ 1,940,000,000	\$ 836,864,000,000	29515159	66	0.23%
3/31/1997	\$ 1,964,000,000	\$ 882,733,000,000	29819070	66	0.22%
3/31/1998	\$ 1,862,000,000	\$ 914,973,000,000	30081925	62	0.20%
3/31/1999	\$ 1,865,000,000	\$ 982,441,000,000	30317125	62	0.19%
3/31/2000	\$ 1,928,000,000	\$ 1,076,580,000,000	30597172	63	0.18%
3/31/2001	\$ 1,885,000,000	\$ 1,108,050,000,000	30912657	61	0.17%
3/31/2002	\$ 1,910,000,000	\$ 1,152,910,000,000	31265843	61	0.17%
3/31/2003	\$ 1,979,000,000	\$ 1,213,180,000,000	31577688	63	0.16%
3/31/2004	\$ 2,092,000,000	\$ 1,290,830,000,000	31894707	66	0.16%
3/31/2005	\$ 2,072,000,000	\$ 1,375,080,000,000	32205936	64	0.15%
3/31/2006	\$ 2,119,000,000	\$ 1,446,310,000,000	32543059	65	0.15%
3/31/2007	\$ 3,502,000,000	\$ 1,531,430,000,000	32870726	107	0.23%
3/31/2008	\$ 2,018,000,000		33223840	61	

Source: Statistics Canada, Government Revenues and Expenditures

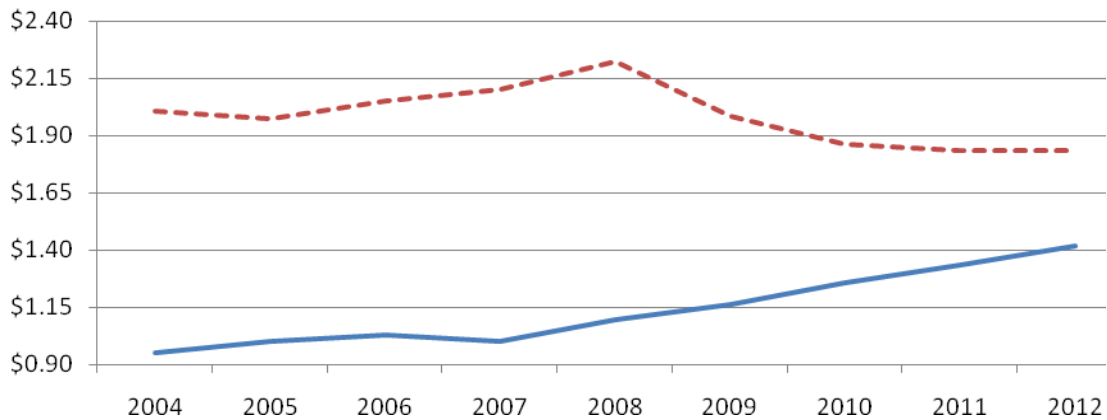
Chart 9: Federal housing spending relative to overall spending and GDP



Dotted line: housing relative to overall spending (left axis); solid line: housing relative to GDP (right axis).
 Sources: Statistics Canada Survey of Government Expenditures and Revenues, 1989 – 2008;
 Statistics Canada GDP 1989 -2007; GDP 2008 is estimated; Wellesley Institute calculations

Major cuts at CMHC as surplus grows larger

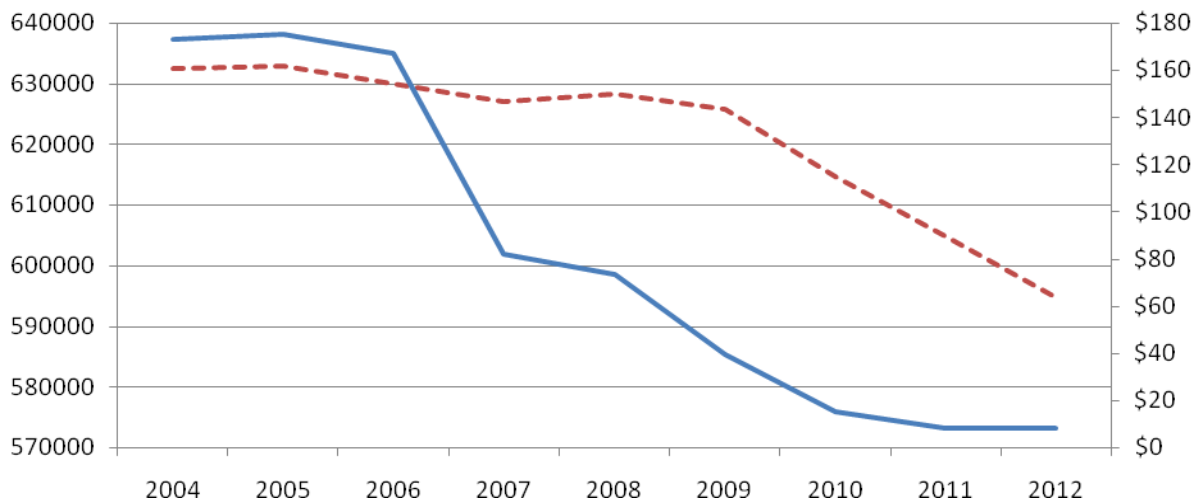
Chart 10: CMHC housing spending and net income (in billions)



Housing program expenses (dotted line); net income (solid line).
Source: Canada Mortgage and Housing Corporation

10. Canada Mortgage and Housing Corporation has posted a billion-dollar-plus net income in recent years, and this is projected to grow to almost \$1.5 billion by 2012. Total equity at Canada’s national housing agency will balloon from \$3.4 billion in 2004 to a projected \$13.9 billion by 2012. Since the government agency was “commercialized” in 1998, CMHC’s support for affordable housing has been tepid, but it has made increasing large profits for the government from its mortgage insurance business. In a typical year, CMHC rings in \$1.5 billion or more in premiums and fees, and pays out only a fraction of that. For instance, in 2004, CMHC received \$1.4 billion in premiums and fees, and paid out \$51 million in claims. By 2012, CMHC projects that it will collect \$1.7 billion and pay out \$314 million⁴.

Chart 11: CMHC households assisted and affordable housing spending (in millions)



Households assisted (dotted line/left axis); affordable housing spending (solid line, right axis).
Source: Canada Mortgage and Housing Corporation

⁴ All figures from Canada Mortgage and Housing Corporation, *2008-2012 Summary of the Corporate Plan*

11. Canada Mortgage and Housing Corporation has been locked into significant annual cuts in housing spending and in the number of households assisted since the federal government announced in 1996 that it was planning to download most federal housing programs to the provinces and territories. From 2004 to 2012, CMHC projects that its net income will rise by 49% while its housing program spending will drop by 9%. The number of households assisted will drop by 6% and the *spending under the affordable housing initiative will shrink to almost zero – falling by 95%*.



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