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What's behind Canada's housing crisis? Experts break down the different factors at play

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Canadians are in the grip of a deepening housing crisis, yet not everyone agrees on what exactly the housing crisis is. The common narrative focuses on an affordability crisis for homeownership, attributed to either excessive demand from immigrants and foreign buyers or a lack of supply.

Canada's housing market is among the most unaffordable, with one of the highest house-price-to-income ratios among OECD member states. Housing prices soared over 355 per cent between 2000 and 2021, while median nominal income increased by only 113 per cent.

But today's housing crisis extends beyond unaffordable homes and supply shortages. It's rooted in a deeply financialized housing system that idealizes homeownership and treats homes as financial assets instead of social goods.

What is the housing crisis?

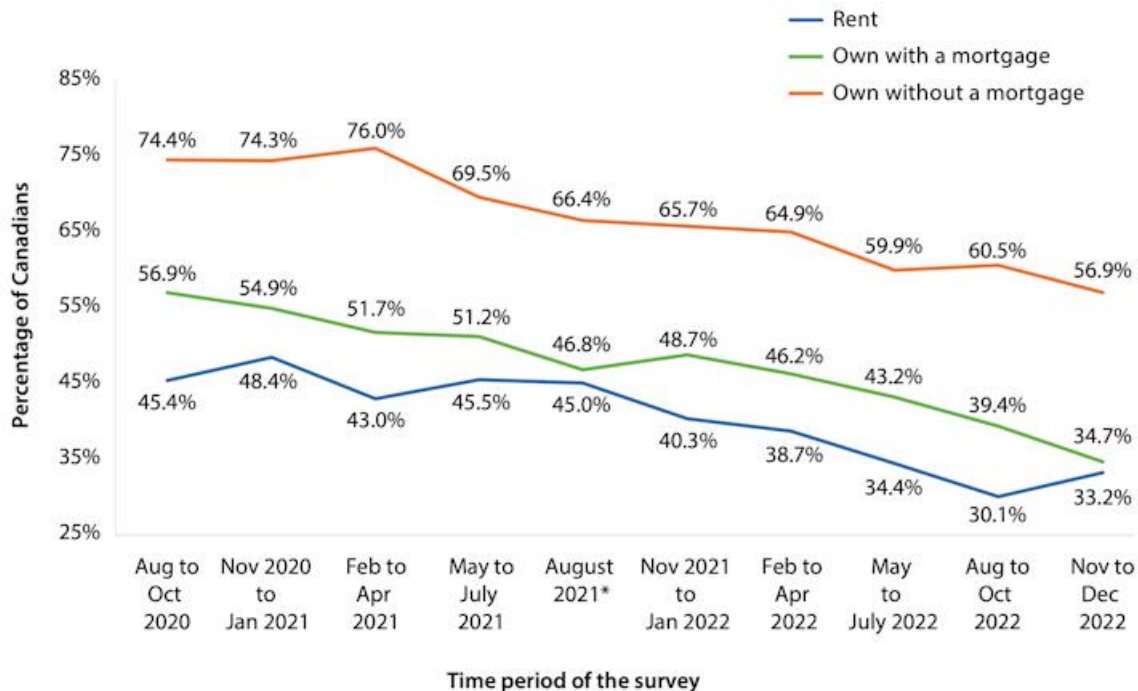
The housing crisis is not new in Canada. In his book on the evolution of Canadian housing policy, historian John Bacher describes that, in the early 1900s, Canadians were "faced with the choice of accepting shelter that was overcrowded, poorly serviced, or below minimal building-code and sanitary standards."

A century later, the housing crisis has not only persisted but worsened. The convergence of diverse housing vulnerabilities have affected people from all walks of life.

Renters, for instance, are facing rent increases double that of inflation, alongside evictions and displacement.

Homelessness is on the rise, disproportionately affecting Indigenous and Black people, gender minorities, and persons with disabilities.

Homeownership is increasingly precarious. Over one-third of Canadian households own a home with a mortgage, and of those, two-thirds have trouble meeting their financial commitments.



Decreasing percentages of both homeowners and renters can meet their financial commitments without any problems. (Financial Consumer Agency of Canada)

As a result, many Canadians have had to sacrifice privacy, comfort, stability, and location, leading to hidden housing vulnerabilities like undesirable living conditions, overcrowding and dissatisfaction.

Many young adults are now delaying homeownership, staying in their parents' homes longer, postponing starting families or relying on parental financial support to buy homes, which can widen intergenerational wealth gaps.

How did the housing crisis happen?

These issues stem from policies in the 1980s to restructure the housing system, cultivating a culture of homeownership and market supremacy.

Canada had a strong housing welfare system in the 1960s and 1970s, but this changed in 1993 when the federal government stopped funding social housing programs. It shifted toward a commodified system that emphasized individual responsibility.

This shift was driven by two neoliberal beliefs. The first is that the private market is the most efficient way to provide housing, with the idea that older homes will become affordable as newer ones are built in a process called filtering.

In reality, older houses can become more expensive because of renovation costs and speculation, and affordability is tied more to land than property values.



People work on new residential construction in the Riverside South neighbourhood of Ottawa on Aug. 30, 2024. THE CANADIAN PRESS/Patrick Doyle

The second belief is that homeownership promotes autonomy and reduces reliance on governments by building property assets, although the reality defies this belief.

Consequently, public divestment has created a siloed and marginalized social housing sector that now makes up about four per cent of the total housing stock. It primarily serves as a last resort for the “deserving poor,” like those with complex housing needs. The concentration of poverty and vulnerability in this sector further reinforces the stigmas around it.

Housing financialization has intensified since 1999 when the Canada Mortgage and Housing Corporation (CMHC) shifted from building homes to insuring mortgages. CMHC's mortgage securitization programs expanded access to mortgages, fuelling demand and real estate speculation, turning housing into a vehicle for asset-building and capital accumulation. Federal subsidies further encouraged homeownership.

Homeownership rates rose from 63 per cent to 69 per cent between 1991 and 2011. Meanwhile, median house prices increased by 142 per cent, while incomes grew by only seven per cent. Household debt soared, with debt-to-income ratios rising from 109 per cent to 173 per cent between 2002 and 2017. Homeownership rates have since started to fall.

Why does the current system fail?

Neoliberal housing policies foster landlordism. Across British Columbia, Manitoba, Ontario, New Brunswick and Nova Scotia, one in five residential properties are used as investments rather than primary residences. This financialization of rental housing, including short-term rentals, has strained long-term rental markets.

Economic pressures resulting from the COVID-19 pandemic, rising construction costs, an aging workforce and population growth have worsened housing affordability.

Yet, the housing crisis is an inherent feature of a neoliberal housing system that created a tenure hierarchy, with homeownership at the top and non-market rental at the bottom. Everyone is expected to participate in the private market to climb the housing ladder from renting to owning.

Such a system will always fail to produce equitable housing outcomes. The market is most likely to respond to the housing needs of those with strong purchasing power, leaving behind low and moderate income families whose housing needs cannot generate effective market demand. The consequence is growing housing inequality, with many low-income families trapped in precarious living conditions.

Politically, the expansion of homeownership incentivizes electoral support for policies that prioritize homeownership and appeal to "homevoters." Homeownership ideology is therefore reinforced and housing vulnerability becomes effectively "deadlocked."

Current housing policies

Recent housing policy efforts have shown a renewed alignment between different levels of government in tackling housing challenges.

The federal government's 2017 National Housing Strategy (NHS) focused on increasing rental supply, providing rent assistance and reducing homelessness.

The 2019 National Housing Strategy Act established access to adequate housing as a human right. The 2024 Canada Housing Plan aims to create 3.87 million homes by 2031 while recognizing tenants' rights for the first time and protecting tenants' tenure security.

Provincial governments followed suit. B.C.'s 2018 Homes for B.C. plan, for example, included measures to curtail non-resident investor speculation and boost market and non-market housing supply. It also established legislation to curb short-term rentals, end single-family zoning and increase density near public transit.

Municipalities implemented measures to cut red tape, streamline housing development, incentivize densification (like Montréal's inclusionary zoning by-law) and standardize housing design and construction.



Minister of Housing, Infrastructure and Communities Sean Fraser holds up booklet of housing plans during a news conference in December 2023 in Ottawa. THE CANADIAN PRESS/Adrian Wyld

More action is needed

These policies signal a positive shift toward acknowledging housing as a human right and recognizing tenants' rights. Renewed funding has supported rental housing construction, including co-op housing. Programs for community housing and homelessness are also pivotal for sustaining the aging social housing stock and supporting those in greatest need.

However, most policy approaches remain market-driven, prioritizing private developers and market supply. Of the NHS's \$115 billion budget over 10 years, 57 per cent is loans and under 40 per cent is budgetary expenditures with a small proportion to support community housing.

The biggest finance program, the Apartment Construction Loan Program, has mainly benefited private developers building above-market-rate housing.

Mortgage securitization programs remain central to the federal government's financing of homeownership. The 2024 Housing Plan continues to expand mortgage access.

Market supply may help moderate affordability, but the impact will be limited without policies to grow the community housing sector. It also leaves deeper housing vulnerabilities unaddressed.

Homelessness has increased since the NHS launch. An estimated seven-fold funding increase is needed to halve chronic homelessness. Advocates have been calling for at least a doubling of the community housing sector, but a significant shortage persists.

Breaking the housing crisis deadlock requires breaking the hierarchy between homeownership and rentership, and between the market and non-market rental sectors. De-commodifying and de-financializing housing is key. This means expanding community housing, prioritizing community-based solutions and ensuring long-term security for all.