Some Initial Insights from the 2016 Census Data Release on Housing and Incomes

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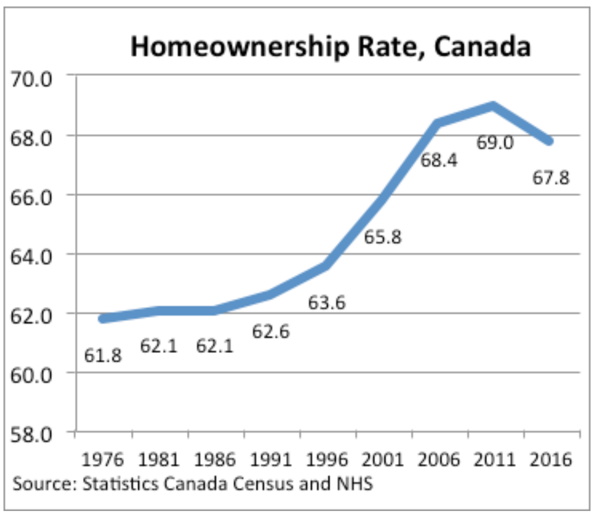
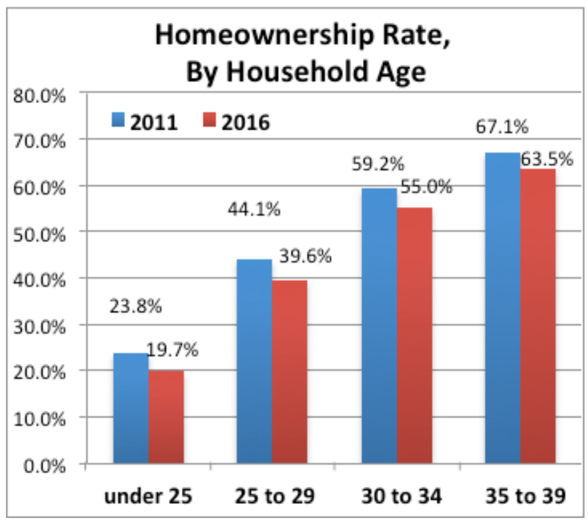
With the latest release of data from the 2016 Census providing data on households and housing, augmenting the prior release with incomes, it is possible to explore some of the key trends that have occurred over the past five years, and to determine the extent to which anticipated outcomes have or have not occurred.

1. An unprecedented decline in ownership rates – especially among typical first time buyers

There has been much consternation about the combination of rising home prices coupled with policy changes that sought to manage financial stability by constraining access to credit for the purpose of home buying. Some of the more recent changes came after the May 2016 Census, but initial measures implemented between 2011-16 have clearly had an impact.





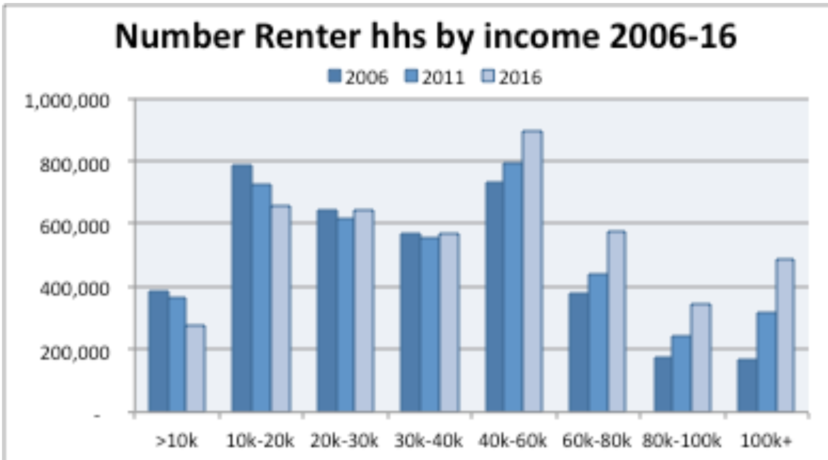
For the first time in history, Canada's overall homeownership rate has declined, from a peak of 69% in 2011 back to 67.8% in 2016. This is also lower than the 68.4% that had been recorded in 2006.

Perhaps more significantly the ownership rate has declined for all age groups under 65. This is especially true for young households, the typical first time buyers aged 25-39, who enable existing buyers to trade up, or in case of empty nesters to downsize.

Not only has the rate fallen, the absolute number of households aged under 40 that own has declined nationally by 67,000 households, despite growth in the population under this age.

2. Higher income households more prominent as renters and there are fewer low income renters

Linked to the declining rate of ownership, the number of renters has increased and the distribution of renter households reveals two significant trends.



First, in comparison to both 2006 and 2011, the number of low-income renters appears to be contracting. It is acknowledged that the income data are in nominal rather than inflation adjusted categories. Nonetheless, there is a noticeable decline in the number of renters with annual incomes under $20,000. This is partly a demographic effect, with more senior renter households and the associated higher incomes via CPP, OAS and GIS and partly a result of improved Canada Child Benefit helping families (lone parents are a significant part of the low income population).

The second insight is the significant growth in the number of higher income renters. This is evident for households with incomes above $40,000 and especially among those with incomes above $80,000 who would likely have the ability to purchase.

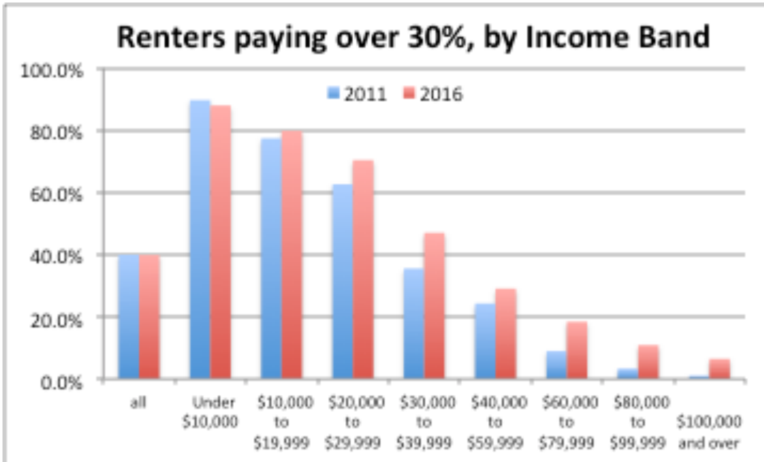
It is not clear whether this trend is suggesting some constraint on capacity to purchase, or a shifting preference toward renting among these moderate to higher income households.

3. Affordability issues spreading into higher income bands

Despite more renters with higher incomes, there is a perplexing trend in the number of renter households paying over the 30% affordability norm. Overall, there is little change from 2011 with 4 in 10 exceeding 30%. And there is a marginal improvement among the very low income although an astounding 8 in 10 still exceed 30%.

The unexpected change is however in the percentage of those at moderate to high income that spend over 30% for rent. At higher incomes the number of such households is quite small, but the incidence of paying over 30% in households with incomes over $60,000 is very prominent. Moreover the incidence of paying over 30% among such households has increased threefold since 2011.

For many this may be a choice as they see higher quality, newer or well located options – many in new condominiums in which investors are acting as landlords.



4. Persisting shortage of lower rent options drive low-income renter affordability issues

Using the norm of 30% as an affordability benchmark, and applying this 30% to income rages, income bands can be used to estimate the level of rent and thus number of rental units required in each income band. For example households with income below $20,000 can afford no more than $500 per month.

There is a substantial shortfall of lower rent units. While some 930,000 renter households have incomes under $20,000 there are only 570,000 rental units renting below $500, the rent those at the upper end of this income range can afford, a shortage of 350,000 low rent units.

However there is an ample stock of units renting between $500 and $1,000. Many lower income households occupy units in these next two rent bands, and as a consequence face severe affordability problems. Indeed over 80% of households with incomes under $20,000 pay in excess of 50% of their income for rent.