A HUMAN RIGHTS-BASED CALCULATION OF CANADA'S HOUSING SUPPLY SHORTAGES

CAROLYN WHITZMAN

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Le présent document existe également en version française sous le titre, Un calcul des pénuries de logements au Canada fondé sur les droits de la personne. *Elle est disponible sur le site du Bureau de la défenseure fédérale du logement et sur le Rond-point de l'itinérance.*

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Acronyms Used in this Report

CMHC   Canada Mortgage and Housing Corporation

NHS   National Housing Strategy

NHSA   National Housing Strategy Act

RCFI   Rental Construction Finance Initiative

NHCF   National Housing Co-Investment Fund

RHI   Rapid Housing Initiative

HART   Housing Assessment Resource Tools project

CHN   Core housing need

Summary and Recommendations

Shared definitions and calculations of baseline housing supply needs are a necessary first step to develop evidence-based, coordinated policies that can better respond to homelessness and inadequate housing. The Canada Mortgage and Housing Corporation (CMHC) has embarked on the vital process of estimating national, provincial, territorial, regional, and municipal housing supply needs with a June 2022 report entitled *Canada's Housing Supply Shortages: Estimating What Is Needed to Solve Canada's Housing Affordability Crisis by 2030*.[1]

However, the goals, definitions and targets outline in *Canada's Housing Supply Shortages* do not adhere to the federal government's current policy framework, the National Housing Strategy (NHS), nor to the *National Housing Strategy Act* (NHSA). The CMHC report does not reflect learnings from past and current research, nor is it congruent with a human rights-based framework. The CMHC report does not prioritize who is most in need of adequate housing, and it does not provide a sense of who needs what housing where and at what cost.

This report, *A Human Rights-Based Calculation of Canada's Housing Shortages*, is commissioned by the Federal Housing Advocate. It focuses on evidence related to housing need divided by income category, household size, and priority population to conclude there exists a current shortfall of three million homes affordable to very low- and low-income households (the bottom income quintile) and 1.4 million homes affordable to moderate- and median-income households (the second and third income quintiles). Using population projections based on recent immigration trends, it estimates a total (deficit plus population growth) shortage of 4.3 million homes affordable to very low- and low-income households, 3.9 million homes affordable to moderate- and median-income households, and 1.4 million homes affordable to high income households (fourth and fifth income deciles), for a total supply need of 9.6 million new homes by 2031.

This report begins by critically examining the methods used in *Canada's Housing Supply Shortages*. The CMHC report relies on a measure called the median multiple, which divides the median house price by the median household income. Traditionally, a median multiple of three was considered affordable to a median income household. If homeownership is affordable, affordability impacts are hypothesized to trickle down to renters via a process known as filtering, whereby those who can afford to own homes leave older rental apartments, which are then occupied by lower-income households.

The measure ignores affordability for the third of Canadian households who rent. The fact that Canada's median multiple, which was 2.5 in the early 1980s, is now 8.8 across Canada and closer to 12 in Toronto and 13 in Vancouver means that house prices would have to fall to a quarter of their current value across the country, a fifth of their current value in Toronto, and a sixth of their current value in Vancouver in order to once again become affordable to median-income first-time buyers, which is an unlikely prospect. Filtering theory ignores possible preferences for older rental apartments by high-income households, including downsizing empty nesters.

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[1] Available at: *Canada's Housing Supply Shortages: Estimating what is needed to solve Canada's housing affordability crisis by 2030*

It conflates demand for home ownership, which may be for speculative or investment purposes, with housing need. And perhaps most tellingly, it ignores the intent of both the National Housing Strategy and the *National Housing Strategy Act*, which is to focus on the housing needs of those who are most marginalized.

There is a long history of Canadian housing supply reports which consider income categories and maximum affordable housing costs being used to set targets and create policy. In 1944, the Curtis Report recommended a high quantum of new housing supply, consisting of one third each of public housing to serve the lowest income tertile, non-market cooperative housing to serve the middle-income tertile, and owned housing to serve the top income tertile. The Federal Housing Action Plan in the late 1970s focused on creating new rental housing through taxation, financing, and grant incentives to municipalities and private developers that were conditional on rents being affordable to low- and moderate-income households. The BC-Canadian Housing Affordability Task Force of 2020 considered income-based need in their policy recommendations.

Current federal methods of calculating supply shortages generally rely on core housing need, which measures those households paying more than 30% of their income on housing costs or living in overcrowded or poorly repaired housing who cannot afford adequate housing in their area. While not every household in core housing need requires a new home, the fact that the vacancy rate for low-cost rentals is 0–1% in most major Canadian cities suggests that even with extremely generous demand-side housing subsidies and greater renter protections, a focus on supply (either new build or acquisition to maintain affordability) will be necessary to address homelessness and core housing need.

Core housing need, which uses the international standard definition of affordability, still has multiple flaws. In Canada, only "private" non-student and non-farm households paying more than $0 are included. This means that unsheltered people and those in emergency or transitional housing, those in congregate housing like long-term care or rooming houses, students, and farm workers are excluded. Furthermore, vital elements of the international rights-based definition of adequate housing—such as location, security of tenure, accessibility, and cultural adequacy—are not considered. Core housing need does not measure either suppressed household formation (adults living involuntarily with parents or roommates because of affordability concerns) or suppressed local demand (households moving far away from their jobs and services because of big city affordability concerns). In short, core housing need excludes as much as it includes.

This report begins to answer the question of "who needs what housing where and at what cost" with an analysis of core housing need by income category, household size, and priority populations undertaken by the Housing Assessment Resource Tools project. I then add estimates of those who are unsheltered and in emergency shelters, those in inadequate congregate housing and on farms, and students who are in housing need. I include estimates of suppressed household formation and suppressed local demand, while recognizing that further evidence needs to be generated on all forms of housing need. Critically, I factor in the housing needs of a rapidly growing population.

I conclude that a significant proportion of new housing, almost half, would need to be affordable to very low- and low-income households. Doubling non-market housing from 894,000 homes by 2031 would merely be a first step in a longer-term strategy to progressively realize the right to adequate housing. To prioritize the needs of those most vulnerable to homelessness and progressively realize the right to adequate housing, it will be necessary to scale up the non-market housing program, including as a baseline sub-target 20% of new housing across all municipalities, regions, provinces, and territories.

Recommendations

1. **A Rights-Based Approach**: That any follow-up report specifying Canadian housing supply needs prioritize the goal of progressively realizing the right to adequate housing, as mandated by the NHSA, by including analysis by income categories, maximum affordable monthly housing costs, household size, and priority populations.
2. **Clear and Consistent Definitions**: That the current CMHC definition of "affordable housing"—30% of pre-tax or gross household income, with an emphasis on those households in core housing need who cannot afford an adequate home in their community—once again be the standard for all federal government policies, programs and reports, rather than an affordability definition based on market rents and prices.
3. **Better Evidence:** That Statistics Canada work with the Office of the Federal Housing Advocate, the CMHC, Infrastructure Canada, WAGE, researchers, and advocates to improve 2026 census data collection and analysis by including students, people experiencing homelessness, temporary workers on farms, and those in congregate housing in their calculation of core housing need; and that they commence work on a new definition of core housing need that includes accessibility, security of tenure, location, and cultural adequacy.
4. **Targets**: That Infrastructure Canada provides a mandatory housing need assessment template for all provinces, territories, regions, and municipalities that is replicable (e.g., every five years, in line with the census, and including annual homelessness counts), comparable (using the same definitions and data sources), and equity-focused (including the same income categories, household sizes, and priority populations); and that the federal government mandate provincial and territorial targets based on area housing needs; and that grants and transfers to other levels of government rely on regular reporting of targets.
5. **Policy and Program Implications of a Rights-based Approach**: That, in revising NHS programs, the federal government focus on improving outcomes for those in greatest need: the 4.3 million very low- and low-income households (calculated as current core housing need deficit plus projected population increase), including those in need of ongoing housing-related support services; that the government set a 20% target for non-market housing for every province, territory, region and municipality in order to improve outcomes for those most in need; and that the federal government should also consider the needs of 3.9 million moderate- and median-income households who will need homes over the next decade, as well as 1.4 million high-income households, for a total of 9.6 million households who will require homes by 2031.

1) Introduction: The Necessary Challenge of Analyzing Canada's Housing Need Shortages

In June 2022, the Canada Mortgage and Housing Corporation (CMHC), Canada's national housing agency, released *Canada's Housing Supply Shortages: Estimating What Is Needed to Solve Canada's Housing Affordability Crisis by 2030.* The purpose of the report, according to the CMHC, was "to estimate how much additional housing supply is required to restore housing affordability by 2030."

The report suggested an aggregate supply target:

> If the current rates of new construction continue, we project that the housing stock will increase by 2.3 million units between 2021 and 2030. This will reach close to 19 million housing units by 2030.
>
> To restore affordability, an *additional* 3.5M affordable housing units are needed by 2030.
>
> That means over 22 million housing units will be required by 2030 to help achieve housing affordability for everyone living in Canada. Delivering more housing supply, beyond predicted growth in the number of households, will enable better matching of households with the housing they want. (CMHC, 2022a, p. 2)

The report identified a goal: "restore housing affordability for everyone living in Canada." It had a definition of housing affordability: "affordability as the ratio of average housing costs to average income in a geographic area"[2] (CMHC, 2022a, p. 10). It had a method of calculating need: the quantum of housing that would be necessary to "better match households with the housing they want" and "restore affordability" (CMHC, 2022a, p. 6). Despite being published by the same agency in charge of the National Housing Strategy (NHS) and whose work must be compliant with the *National Housing Strategy Act* (NHSA), the report's goal, definitions, and methods are inconsistent with current legislation regarding housing. Its target of 5.8 million new homes by 2030 (a rate of 725,000 homes a year over eight years) does not specifically link to any NHS policies that might enable more than tripling housing production over the current level of 225,000 homes a year.

Aled ab Iorwerth, CMHC's Chief Economist and lead author of the report, said that he had "high hopes" for Canada's $4 billion Housing Accelerator Fund to increase the pace of building (Lord, 2022). The Housing Accelerator Fund is an incentive program for municipalities to approve 100,000 additional new homes from 2023 to 2028 (CMHC, 2023b), which represents 2.9% of the additional homes required, according to the *Canada's Housing Supply Shortages* report.

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[2] As will be discussed below, the report refers to a measure, the "median multiple," that has traditionally measured median homeownership price in comparison to median gross household income. The third of Canadian households who are tenants are not considered in this measure, nor are wealth disparities.

Reaction to the report has been mixed. Professor Mike Moffatt, Director of the Smart Prosperity Institute and a housing supply advocate, said that the 5.8 million homes by the 2030 target is probably unattainable, given existing material and construction worker shortages. But he argues that, "We need to take the [housing] shortage seriously or else an entire generation of Canadians is going to get priced out of their homes" (Lord, 2022). Emeritus Professor David Hulchanski of the University of Toronto said that the "report fails to address the underpinnings of the market such as housing speculation, lost supply due to short-term rentals, multiple property ownership, tax evasion and money laundering in real estate, and the financing structure in housing" (Balentic, 2022). Doug Porter, chief economist for the Bank of Montreal, said of several recent housing supply reports, of which *Canada's Housing Supply Shortages* is the latest:

> How many times have we all been told in the past year that Canada's raging housing market is largely due to the fact that we have "the lowest supply of housing in the G7"? … First, Canada's supply is not particularly out of line with the OECD average, and certainly not much different than any of the UK, US, or Australia. (And we have made the point many times that given a younger population than Europe or Japan, we would naturally have a lower ratio—kids don't own homes.) Second, a technical point, Canada is in fact NOT lower than the US, so it isn't even the lowest in the G7. Yet, somehow, our average home prices are (roughly) 60% higher on average than in the US, with essentially the same level of supply per capita. Yes, we should do all we can to encourage supply; but clearly there is more at work here than that. (Barlow, 2022)

The purpose of this report is to compare the methods and targets developed in the June 2022 CMHC report with alternate methods and targets, in order to provide guidance to the Federal Housing Advocate in her legal mandate to "monitor progress in meeting the goals and timeline—and in achieving the desired outcomes—set out in the National Housing Strategy" and to "assess its impact on persons who are members of vulnerable groups, persons with lived experience of housing need and persons with lived experience of homelessness" (Government of Canada, 2019).

2) Policy Context of Canada's Housing Supply Shortages

From 1992 to 2017, the federal government delegated housing policy leadership and funding to the provincial and territorial governments. Many provinces and territories in turn downloaded responsibility to local governments, including Canada's most populous province, Ontario. There is considerable evidence that during the subsequent three decades homelessness has greatly increased, both rental and ownership housing costs have increased much faster than incomes, and coordinated government responses have become less effective, at least in part because of absence of shared definitions and baseline measurements of need (MacDonald & Tranjan 2023; Caranci et al., 2023; HUMA, 2023; Auditor General, 2022; Blueprint, 2022; HUMA, 2022; FRAPRU, 2021, Gaetz et al., 2016).

National Housing Strategy (2018–2028)

In November 2017, Canada signalled a new era, launching a ten-year National Housing Strategy (NHS). The strategy takes a "rights-based approach [leading] to prioritization of women fleeing violence, Indigenous people, seniors, people with disabilities, etc." (Government of Canada 2018, p. 4).

The NHS has two headline targets for the period from 2018 to 2028:

1. Reduce the number of households in core housing need by 530,000.

2. Halve the number of people living in chronic homelessness (Government of Canada 2018, p. 4). This target was later amended to "completely eliminating chronic homelessness by 2030" (Government of Canada 2020, p. 23).

The NHS pledges to reach these targets through "transparent and accountable partnership between the federal government, provinces, territories, municipalities, the social and private sectors, and people with lived experience of housing need." The strategy includes supply-side mechanisms to create 100,000 new affordable homes and repair or renew 300,000 existing homes, as well as demand-side mechanisms such as providing Canada Housing Benefits to 385,000 households to assist with bringing housing costs to an affordable level (Government of Canada 2018, p. 5).

The NHS uses Statistics Canada's standard definition of "affordable housing" as part of its core housing need targets:

> In Canada, housing is considered "affordable" if it costs less than 30% of a household's before-tax income. Many people think the term "affordable housing" refers only to rental housing that is subsidized by the government. In reality, it's a very broad term that can include housing provided by the private, public and non-market sectors. It also includes all forms of housing tenure: rental, ownership, and co-operative ownership, as well as temporary and permanent housing. (CMHC, 2023a)

Core housing need (CHN) is defined as:

> A household is in core housing need if its housing does not meet one or more of the adequacy, suitability or affordability standards and it would have to spend 30% or more of its before-tax income to pay the median rent (including utility costs) of alternative local market housing that meets all three standards. (CMHC, 2023a)

Aside from affordability as defined above, "adequacy" refers to need for "major repairs [including] those to defective plumbing or electrical wiring, or structural repairs to walls, floors or ceilings." "Suitability" refers to "enough bedrooms for the size and make-up of resident households… For example, enough bedrooms based on [national occupancy standards] means one bedroom for each cohabiting adult couple, one for unattached household member 18 years of age and over and one for each same-sex pair of children under age 18" (CMHC, 2023a).

The NHS also relies on a standard definition of homelessness:

> Homelessness describes the situation of an individual, family or community without stable, safe, permanent, appropriate housing, or the immediate prospect, means and ability of acquiring it. It is often the result of what is known as systemic or societal barriers, including a lack of affordable and appropriate housing, the individual/household's financial, mental, cognitive, behavioral or physical challenges, and/or racism and discrimination. (CMHC, 2023a)

In other words, individuals and households are homeless even if they sleep in emergency shelters, transitional housing, or institutions, are in unsafe housing (e.g., with a violent partner), or are doubling up with others due to the absence of affordable housing. People need safe and permanent homes even, and especially, if they have disability-related challenges.

The definition of chronic homelessness is much more restrictive. It refers to

> individuals, often with disabling conditions (e.g., chronic physical or mental illness, substance abuse problems), who are currently homeless and have been homeless for six months or more in the past year (i.e., have spent more than 180 cumulative nights in a shelter or place not fit for human habitation) (CMHC, 2023a)

Core housing need is a readily available statistic, measured in the census every five years as well as in regular (every second year) Canadian Housing Surveys produced by Statistics Canada.[3] However, CHN excludes many households without private homes as well as some classes of occupants[4]:

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[3] However, the Canadian Housing Surveys use a smaller sample, which makes detailed analysis of most cities and regions impossible.

[4] Until 2021, the census excluded Indigenous on-reserve housing from its analysis of core housing need.

- unsheltered individuals and households
- those in emergency shelters
- the hidden homeless who temporarily couch surf, double up with another household or who live in unsafe situations
- students under the age of 30 (because "attending school is considered a transitional phase, and low incomes earned by student households are viewed as being a temporary condition" [Statistics Canada, 2022d])
- those in congregate housing (including people in rooming houses, long-term care homes, hospitals, and correctional institutions)
- people living on farms (Statistics Canada, 2017; see also Schwan et al., 2021; Migrant Farm Workers, 2020)

Core housing need also excludes suppressed household formation (Moffatt et al., 2022; von Bergmann & Lauster, 2022), which refers to adults living involuntarily with parents or roommates who would prefer to live alone but cannot because of affordability concerns. It excludes suppressed local demand (Moffatt, 2021), which refers to households moving far from employment and services because of affordability concerns (the latter colloquially known as "drive until you qualify").

There is considerable literature on the arbitrary nature of using 30% of before-tax income as a metric of affordability, with some economists preferring to calculate residual income after basic needs are met (CMHC, 2019), and other economists arguing that transportation costs should be included in discussions of housing affordability (Hickey et al. 2012). However, this definition of affordability is the international standard. The Organization of Economic Cooperation and Development uses it for international comparisons of housing hardship, alongside the analogous measure of 40% of post-tax or disposable income (OECD, 2021).

The CMHC, charged with leading the implementation of the NHS, says that the agency "exists for a single reason: to make housing affordable for everyone in Canada." It states as its aspiration: "By 2030, everyone in Canada has a home that they can afford and that meets their needs" (CMHC, 2018). Their embedded definition of "can afford" is 30% of before-tax household income and their embedded definition of "everyone in Canada" includes everyone living here: for instance, asylum seekers, international students on visas, and temporary migrant workers, as well as citizens and permanent residents.

National Housing Strategy Act (2019)

The NHSA further elaborates federal understandings of goals, targets, definitions, and policy priorities. In it, the federal government formally commits to a goal: "the progressive realization of the right to adequate housing." The target is the realization of adequate housing for all Canadians, with a "focus on improving housing outcomes for persons in greatest need" (Government of Canada, 2019). There are no timelines attached to this target.

There is an international definition of adequate housing, which is now enshrined in Canadian law (Biss & Raza 2022). Adequate housing encompasses affordability, suitability, and state of repair, as measured by CHN. It also includes access to basic services, accessibility, location, and security of tenure. To reflect the NHSA, Statistics Canada would need to consider the

accessibility of housing, which is particularly important in an aging population. It would need to define adequate location, which is important if households forced to drive until they qualify are included as being in housing need (Moffatt, 2021). Accessibility and location are currently defined by the CMHC (2023a), and Statistics Canada could easily work with the CMHC to derive measurements. More complex is security of tenure, which is particularly important to renters. The 2020 Canadian Housing Survey asked tenants their reason for moving, with responses including eviction and reasons for eviction (Xuereb & Jones, 2023). These questions could be included in the next census. Cultural adequacy is an issue frequently raised in relation to Indigenous housing (Thistle, 2017). However, a way to measure it in the Canadian census has not yet been put forward.

Two accountability mechanisms have been established to oversee the government's fulfilment of these human rights commitments: a National Housing Council to provide advice on the effectiveness of the NHS, and a Federal Housing Advocate with a broad monitoring and accountability mandate, including a duty to "monitor progress in meeting the goals and timelines—and in achieving the desired outcomes—set out in the National Housing Strategy" (Government of Canada, 2019).

Do NHS Mechanisms Address Housing Supply Needs?

Despite clear and complementary targets in the NHS, the NHSA, and the mandate of the agency, the CMHC has not, to date, provided a baseline needs assessment that uses its own definitions of affordable housing, homelessness and core housing need to analyze housing need across Canada by income category-related price point (what low- and moderate-income households can afford), household size, or priority population (those in greatest need). This makes the work of the Federal Housing Advocate in monitoring progress difficult if not impossible.

A CMHC evaluation of the first three years of the NHS (CMHC, 2020a), whose budget has now increased to $89 billion (Parliamentary Budget Office, 2023), suggests that its mechanisms are not adequately addressing its targets. The evaluation did not provide the net numbers of households whose core housing need was alleviated, nor did it provide numbers on progress toward zero chronic homelessness. It did say that "funding committed as of December 31, 2020, is expected to contribute to reducing housing need[5] for more than 61,600 households through 42,500 new affordable housing units, affordability support for 16,000 households and repair and renewal of housing units that will benefit 3,100 households" (CMHC, 2020a, p. 14). This would equate to 38% of the NHS's annual targets over three years, assuming all those whose "housing needs" were alleviated were chronically homeless or in core housing need. The CMHC also reported on mechanisms unrelated to NHS targets, including a demand-side First-Time Home Buyer Incentive that "provides $1.25 billion over three years to give first-time home buyers 5% to 10% of a home's purchase price to put toward their down payment" (CMHC, 2020, p. 20).

Parliamentary budget reports in 2019 and 2021 have found that there has been a net decrease in funding for low-income households under the NHS and that there is no evidence that NHS

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[5] Note: not "core housing need."

mechanisms will decrease net core housing need or homelessness (Segel-Brown, 2019 & 2021). Numerous critiques of the two NHS mechanisms receiving the lion's share of funding, the $26 billion Rental Construction Finance Initiative and the $13 billion National Housing Co-Investment Fund, provide evidence that they have had limited impact on CHN and homelessness targets (HUMA, 2023; Blueprint, 2022; Pomeroy, 2021). According to a report commissioned by the National Housing Council, only 4% of homes financed by the Rental Construction Finance Initiative, and only 35% of homes with grants from the National Housing Co-Investment Fund meet the needs of low-income families most likely to be in CHN, partly because they use different definitions of affordable housing than those in the NHS, related to median area market rental costs and median area income, respectively (Blueprint, 2022, p. 4).

In contrast, the $2.5 billion expended thus far on the Rapid Housing Initiative since its inception in 2020 appears to have successfully begun to address chronic homelessness and CHN. Over 10,000 low-cost homes have been commenced or completed in less than two years, well beyond the 4,500 target, and all have been aimed at those most in need (CMHC, 2022b). However, the Rapid Housing Initiative, unlike the two much more expensive unilateral programs in the NHS, does not have a long-term funding commitment. An evaluation of the $4 billion Reaching Home Strategy concluded that the federal government "did not know whether their efforts improved housing outcomes for people experiencing homelessness or chronic homelessness and for other vulnerable groups" (Auditor General, 2022, p. 8).

To conclude, the last five years have seen a growing consensus on the problem: the absence of affordable and adequate housing for a growing proportion of Canadian households. However, there is considerable evidence that the mechanisms advanced in the NHS are not meeting its targets.

3) Affordable Housing Need Methods Currently Used by the Federal Government

Methods used in *Canada's Housing Supply Shortages* to Calculate Need

Canada's Housing Supply Shortages begins with the CMHC's goal that "everyone in Canada has a home that they can afford and that meets their needs." It then zeroes in on a specific problem: the lack of housing supply.

> We found that demand for housing grew with higher incomes and population growth, and long-term declines in interest rates. Unfortunately, supply growth was weak to respond to this demand growth in some of Canada's large urban areas, resulting in the loss of affordability. (CMHC, 2022a, p. 5)

It should be noted that "demand for housing" in the report includes investor demand, a major determinant of unaffordability (August, 2022). In contrast to housing need, housing demand can be fuelled by ownership of multiple properties as an investment strategy (Caranci et al., 2023), which can drive up prices and increase the risk of tenant evictions (Xuereb & Jones, 2023).

As evidence of this problem, the report contends that "housing costs have exploded over the last decade" (CMHC, 2022a, p. 5). The report elaborates on this contention:

> Around 2003 or 2004, an average household would have had to devote close to 40 per cent of their disposable income to buy an average house in Ontario, and close to 45 per cent in British Columbia. In 2021, such a household would have had to devote close to 60 per cent of their incomes to housing. (CMHC, 2022a, p. 6).

Canada's Housing Supply Shortages, produced by the CMHC, uses a different definition of "affordable housing" than the CMHC's own definition and the targets of the NHS. It relies, despite use of the term "average," on the international definition known as the "median multiple": median house price divided by median household income in an area. This definition is best known through annual international reports published by the firm Demographia since 2005 (e.g., Demographia, 2023), with an "affordable" median multiple defined as 3 (that is, an affordable housing market is one where median house price is three times median annual income). The median multiple definition used by Demographia excludes purchases of condominium apartments. It also excludes any consideration of rental housing costs. Demographia ignores the role of fluctuating mortgage rates, immigration levels, locational amenity, and interest rates in ownership affordability. It instead focuses solely on "prescriptive planning" as a driver of house price unaffordability, especially "land rationing" in the form of urban growth boundaries (Phibbs & Gurran, 2008, p. 2).

Leaving aside the fact that 2003 to 2021 is closer to two decades than one decade, the general trajectory of the median multiple described in the report is correct (Figure 1). Middle income homeownership was affordable (the median home cost 2.5 times the median household

income) in Canada in the early 1980s, coinciding with a time when government investment in all forms of low- and moderate-income housing was highest (FRAPRU, 2021; Oberlander & Fallick, 1992). Across Canada, the median multiple began a steady climb from 1985 to 2000 and then engaged in a precipitous ascent after 2015. The Canadian median multiple is now 8.8, with the median multiple for Toronto being 11.4 and that for Vancouver 13.5 (Caranci et al., 2022). In other words, Canadian homeownership prices would need to drop to less than one third of their current value—and in the cases of Vancouver and Toronto, one quarter and one fifth respectively—to recapture the level of affordability found when many older households were buying their first homes.

Home price-to-income ratio
Multiple of median household pretax income

● Canada　● Toronto area　● Vancouver area
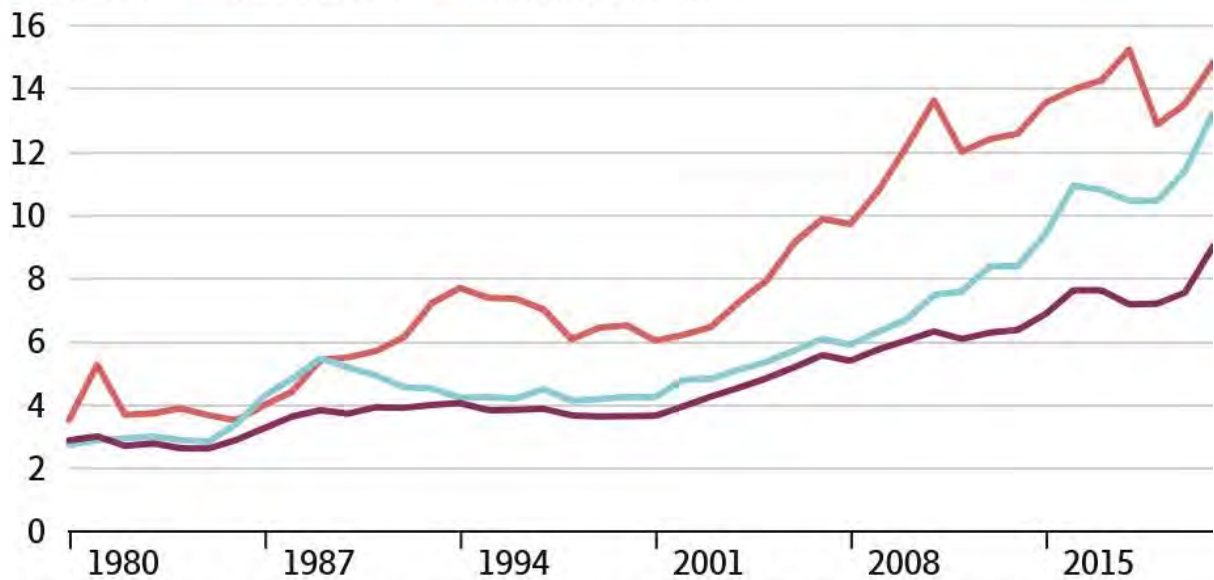
THE GLOBE AND MAIL, SOURCE: TD, STATSCAN / NOTE: ESTIMATE FOR 2021

Figure 1: Canadian, Toronto, and Vancouver Median Multiples, 1980–2022 (Caranci et al., 2022)

Canada's Housing Supply Shortages provides a new target for a national housing strategy, setting "a Canada-wide housing costs-to-disposable [after tax] income ratio of 40% as our target for housing affordability in each province. This roughly corresponds to a ratio of housing costs being 30% of pre-tax (or gross) income" (CMHC, 2022a, p. 13). The report differentiates between "affordability … as lowering the cost for all Canadians" and "'affordable housing,' which many define as housing subsidized by governments for low-income households" (CMHC, 2022a, p. 7). This adds to the list of definitions of affordable housing used in recent CMHC reports. Table 1 provides six definitions of affordable housing that have been used in CMHC reports and programs since the NHS was published in 2018; there may be more.

Definition	Where Is it Used?
30% of median pre-tax household income in a market	*National Housing Strategy Glossary of Terms* (CMHC, 2023a), National Housing Strategy (CMHC, 2018), Statistics Canada census data
80% of area median market rent	National Co-Investment Fund affordability criteria: 30% of units must be "affordable" for 20 years using this criterion (CMHC, 2021b)
30% of median household income in that market	Rental Construction Finance Initiative criteria: 20% of units must be "affordable" for 10 years using this criterion (CMHC, 2020b)
Median multiple (median house price divided by median household income in a market)	*Canada's Housing Supply Shortages* (CMHC, 2022a) uses this definition to describe the problem, although it conflates "average" and "median"
40% of median after-tax household income in a market	*Canada's Housing Supply Shortages* (CMHC, 2022a) uses this definition to develop a target
Housing subsidized by government for low-income households	*Canada's Housing Supply Shortages* (CMHC, 2022a) uses this definition in contrast with "affordability for all"

Table 1: Concurrent Definitions of "Affordable Housing" Used by the CMHC 2018–2022

Figure 2[6] shows *Canada's Housing Supply Shortages'* measure of affordability as "average shelter cost to average household disposable income ratio." This measure differs from the median multiple[7] in several ways. The report may be using after-tax income to reflect the fact that middle-class taxes have decreased across Canada since the 1990s, so middle-class households have more disposable income (Falvo, 2017). It also conflates the purchase price of a home with shelter cost, ignoring fluctuations in interest rates over time and their role in raising homeownership costs (Bank of Canada, 2022). It also continues to ignore renter needs. The report decides to use the point in 2012 when average homeownership shelter costs were at 40% of after-tax income as a target, which would still leave a high proportion of households, especially renter households, in unaffordable housing.

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[6] I have substituted an image from the Globe and Mail (Younglai 2022) using the same data as *Canada's Housing Supply Shortages*, as it reproduced more clearly.

[7] There is a difference between average and median: average means (for instance) all household incomes divided by the number of households; while median means the mid-point, with half of the households having higher household incomes and half of the households having lower incomes. Median is usually used by Statistics Canada, because a small number of high-income households can distort the average.

Shelter cost as a share of disposable income

Based on MLS prices of an average home

● B.C. ● Ontario ● Canada ● Quebec ● Alberta
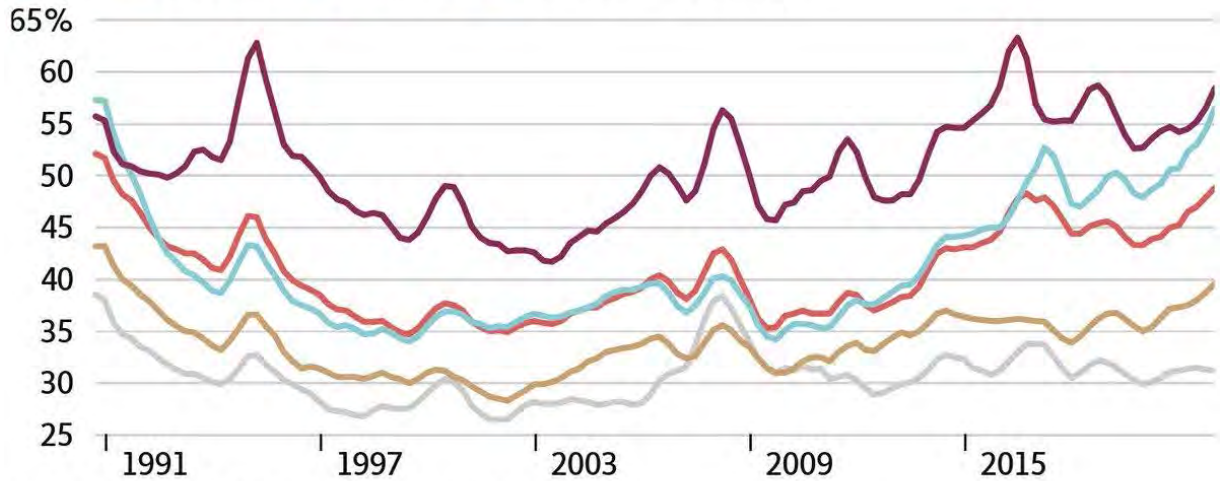
THE GLOBE AND MAIL, SOURCE: CMHC

Figure 2: Shelter cost as a share of disposable income 1991 to 2020 (Younglai, 2022 based on CMHC, 2022a)

Statistics Canada's Core Housing Need Measure

Using the CMHC standard definition of core housing need, a different picture emerges housing affordability over the same period. Figure 3 shows that renters—who represent a third of households as of the 2021 census—are almost four times as likely to be in CHN than homeowners. From 1991 to 2016, the proportion of homeowners in CHN remained relatively constant, while the number of renters in housing need increased between 2011 and 2016 to a total of 1.7 million households. The CHN trajectory points to a different problem: the federal government's neglect of the needs of low-income households from the late 1980s to 2017.
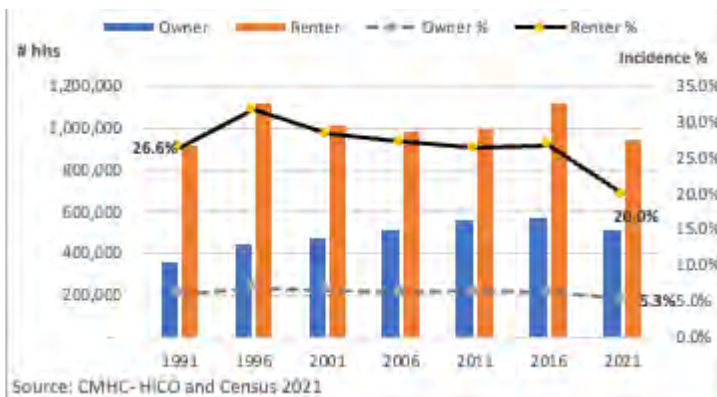

Figure 3: Core Housing Need 1991 to 2021 (CHEC, 2022; 2021 census update from S. Pomeroy in personal communications on October 4, 2022)

There was an unprecedented decrease in CHN numbers from 2016 to 2021, from 1.7 million to 1.45 million households, due to the "impact of temporary COVID-19 benefits on household incomes" (Statistics Canada, 2022a; see also CHEC, 2022). Figure 4 shows the impact on very low-income households of what was essentially a natural experiment in guaranteed annual income. Punitively low social assistance rates that have not risen with inflation since the 1990s do not cover the difference between market rate and affordable rents (Laidley & Tabbara, 2022), even with the housing allowance factored in. Figure 4 suggests that one of the most effective ways that the federal government could decrease core housing need is by either developing its own guaranteed annual income program or by making social assistance transfers or bilateral funding conditional on provinces and territories increasing welfare rates to above the poverty line.
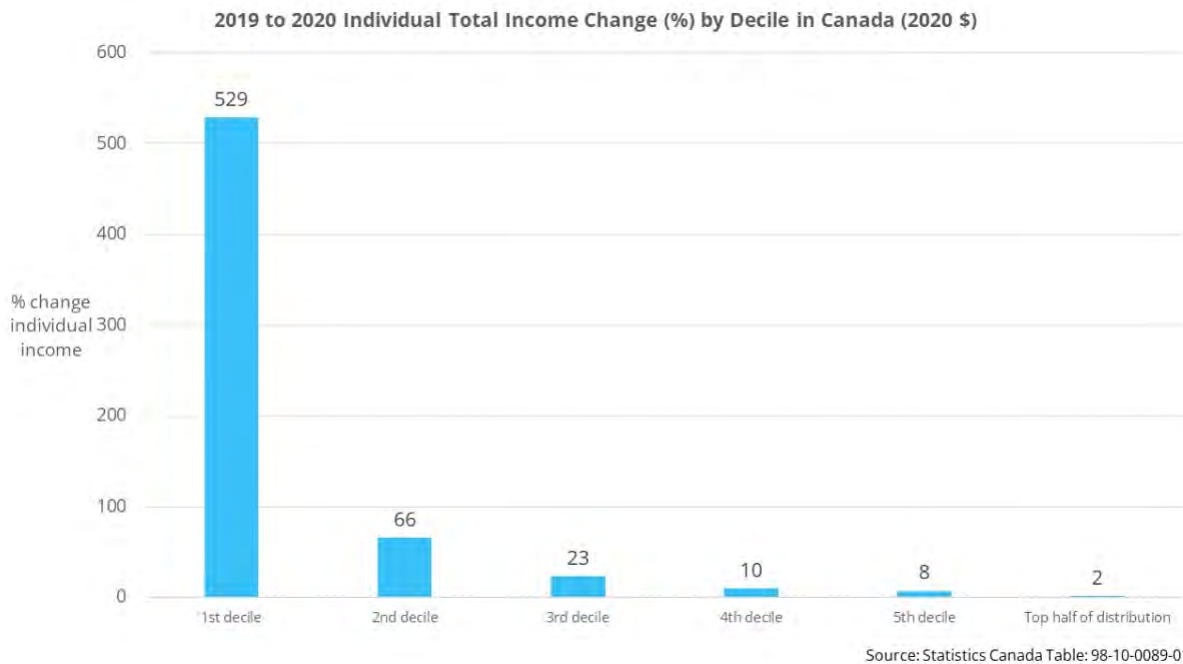
Figure 4: 2019 to 2020 Individual Total Income Change (%) by Decile in Canada (HART, 2023, using Statistics Canada data)

Households in CHN are not average income households; they are much more likely to be low-income renters. Analysis of the 2021 census by the Housing Assessment Resource Tool project (HART) (see Table 3) has found that 77.2% of households in CHN were in the lowest income quintile, with 13.7% of households unable to pay more than $420 per month for an affordable home and a further 63.5% unable to pay more than $1,050 per month. Renters are three times more likely to be in CHN. Homeownership price speculation may affect them indirectly, through increasing land values and more median-income households being crowded out of homeownership and remaining in the rental market, which reduces vacancies. But it is surely more relevant to increase the supply of affordable rental homes, both market and non-market, as a direct mechanism for improvement, rather than increasing aggregate homeownership supply. Using the definition of affordable based on the median multiple method, affordable

homeownership prices for very low-income households would be less than $55,800, and less than $126,000 for low-income households. This is not a likely scenario anywhere in Canada.

Point-in-Time Counts

There is no consistent measure of homelessness in Canada. The Canadian government has used biennial (every second year) point-in-time counts since 2016. Point-in-time counts:

> provide a one-day snapshot of homelessness in a community, including people experiencing homelessness in shelters, unsheltered locations, and transitional housing. They can also include people experiencing homelessness who are in health or correctional facilities or who are staying with others because they have no access to a permanent residence. (Infrastructure Canada, 2023, p. 2)

Finland has published consistent measurements of homelessness every year since 1987, including during the 2020 to 2022 period, as part of its successful 30-year campaign to end homelessness. The data is collected by 209 of 293 municipalities (ARA, 2023).[8] In contrast, only 59 communities in Canada (of 737 communities with populations greater than 5,000 people) currently undertake biennial point-in-time counts. Unlike in Finland, Canadian 2020 point-in-time counts were delayed during COVID, in many cases until 2022. Many Canadian municipalities do not count those who are institutionalized in health and correctional facilities, nor do they include those who are temporarily staying with family and friends because they have no access to a permanent residence.

The last round of point-in-time counts found 32,000 people in 59 communities across Canada experiencing homelessness in shelters, transitional housing, and unsheltered locations on a sample night. Information on those institutionalized or doubling up is not known. Across the 55 communities that also conducted a count in 2018, there was a 12% increase in those counted, which may in part reflect improvements in methods. Compared to 2018, those enumerated in an unsheltered location doubled (Infrastructure Canada, 2023).

Calgary is an anomaly as a Canadian city that has consistently measured homelessness every year over a long period of time. Point-in-time counts in Calgary from 1992 to 2016 (Figure 5) suggest that the proportion of those without permanent shelter increased 700% between 1992 and 2008, coinciding with disinvestment by both the federal and provincial governments in affordable rental housing and disinvestment by the provincial government in social assistance. After 2008, a stabilization in high homelessness rates coincided with Calgary becoming the first large Canadian city to develop a Housing First plan to end homelessness, along with an increase in social assistance rates and an increase in rental vacancies associated with a decline in oil prices (Falvo, 2017).

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[8] Finland includes unsheltered individuals and households, those in emergency shelters, those in health facilities (including what would be called transitional' housing in Canada), and those doubling up involuntarily. It does not include those in correctional facilities.
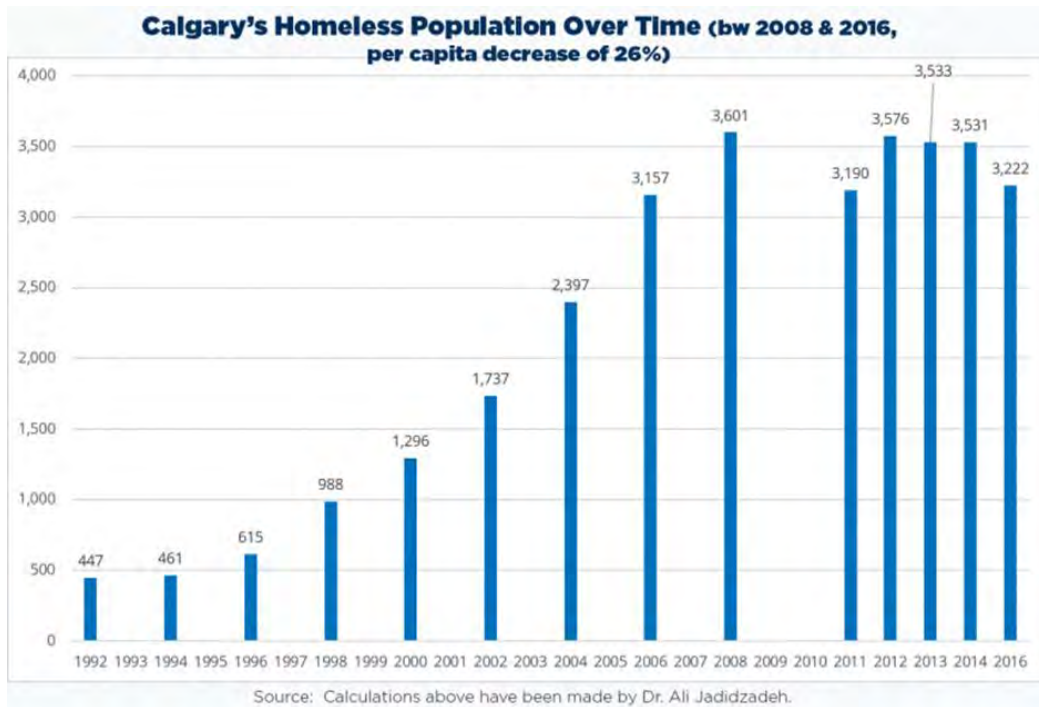
Figure 5: Homelessness rates in Calgary 1992 to 2016 (Falvo, 2017)

The Impact of Different Measurements of Housing Need

Using median multiple, core housing need, and homelessness counts results in three different trajectories of housing need over the past three decades, each related to different definitions and approaches to the problem of lack of affordable housing. Each method suggests different mechanisms to address the problem.

In *Canada's Housing Supply Shortages*, the problem is increasing median house prices in relation to median household income over the past decade, and the key factor is an insufficient supply of homes for ownership relative to demand, including investor demand.

Using the standard CMHC definition of core housing need, the problem is lack of progress in reducing the large number of households in core housing need since 1991, especially low-income renter households. The key factor is the absence of a federal targeted program to increase low-cost rental supply. If one focuses on improving the CHN numbers from the 2021 census, one solution might be the development of a national guaranteed income.

Using homelessness numbers from Calgary, the problem is an increase in homelessness since the mid-1990s caused by lack of investment in affordable rental housing, including housing with health and social supports, for very low-income individuals and households, and the absence of a coherent Housing First strategy from the federal government (including a way to consistently measure its impact in reducing homelessness).

Canada's Housing Supply Shortages uses different definitions from the standard Canadian definitions of affordable housing to derive different targets than the NHS. This despite it being published by the same agency that has been charged with implementation of the NHS and the NHSA. Canada has no accurate and comprehensive way to measure the full extent of housing

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need and homelessness, let alone the impact of policies on the progressive realization of the right to housing.

4) Faulty Assumptions in *Canada's Housing Supply Shortages*

Canada's Housing Supply Shortages claims to provide an "estimate of how much housing supply is required … based on deep economic analysis [that] has not been done before in Canada."

There is a three-part method provided:

> 1. We estimate the level of income in 2030 given current economic and demographic trends, including expected immigration levels.
>
> 2. We estimate how much housing supply is needed so that house prices are consistent with affordability in 2030.
>
> 3. We compare this amount of housing supply with the amount of housing we project to be built by 2030 under a business-as-usual scenario. (CMHC, 2022a, p. 6)

There are several embedded assumptions in this method. I have already mentioned critiques of the assumption that aggregate supply of homes available for ownership is the main determinant of affordability, as opposed to the absence of programs supporting supply of low-cost non-market and market rental homes (HUMA, 2023; Blueprint, 2022; FRAPRU, 2021). Other possible causes of unaffordability include taxation incentives that favor speculation in existing homes over investment in home building (HUMA, 2023; August, 2022; Kershaw 2021).

I have also provided evidence suggesting that housing is not in fact one single market with one simple trajectory. *Canada's Housing Supply Shortages* contends that filtering—the aging and deterioration of older properties leading to greater affordability for lower-income households—is a significant reason to build more housing supply. The report rhetorically asks:

> How will supply improve affordability? More housing units created in the housing market will create opportunities for households to move into housing that responds to their demands. In addition, this "filtering process" *likely* frees up housing to improve housing affordability over time. (CMHC, 2022a, p. 6; emphasis mine)

A recent study of filtering in the US found that the "filtering process can take generations … and the property may deteriorate too much to be habitable." In expensive local markets such as the San Francisco Bay area (analogous to Toronto or Vancouver), rental units filter down to lower-income households at roughly 1.5% per year, and there is almost no decline in rents associated with that process. Furthermore, older buildings may be more attractive to higher-income households, who are able to outbid lower-income households, than newer buildings (Zuk & Chapple, 2016, pp. 3–4).

The belief in filtering is based on faulty assumptions about a singular housing market primarily influenced by aggregate supply. Many housing researchers describe instead a set of adjacent "housing sub-markets," comprising (for instance) luxury homeownership, high-income

homeownership, high-income rental, median-income homeownership, median-income rental, low- and moderate-income private rental, and low-income non-market housing, including those with social or health supports. There are also sub-markets related to location, size, and consumer preferences (Gibb & Marsh, 2019, p. 11). Interventions in one sub-market may have an indirect impact on an adjacent market. For instance, if there was ownership affordability for median income households, as was the case until the late 1980s, it might free up moderate income, purpose-built rentals, as median income households might choose to move from rental to ownership, making a rental home available to a less wealthy household. This filtering hypothesis relies on homes being bought to be lived in and not as an investment for short-term or long-term rental or speculative house-flipping or to be simply left vacant as a sleeping asset (August, 2022). But even given that assumption, the impact of an increase in the supply of homes for ownership on someone who is homeless would be virtually non-existent, unless a shelter is torn down for a condominium tower, or a rooming house becomes an owned single-family home, in which case the impact would be negative.

The report contends that its model of filtering through increased aggregate supply of homes for ownership—in which wealthy households buy new houses that are "more energy efficient" and have "more living space," leaving older houses available to lower-income households—has "been found to work in other countries, and CMHC is exploring how efficient this process is in Canada" (CMHC, 2022a, p. 16). There are three recent US studies cited. But dozens of studies captured in a recent literature review (Zuk et al., 2018) tell of a different trajectory: wealthy households buying old homes and renovating them, displacing tenants and lower-income homeowners from well-located, established areas through gentrification. Similarly, older, wealthier households may downsize to new or old well-located homes that have less living space, also displacing lower-income households.

The existence of sub-markets is implicitly acknowledged by the report: "We treat all of housing as a single entity—meaning increases in house prices pass through into increasing rents. Reality is far more complex" (CMHC, 2022a, p. 7). It recognizes that for low-income households, *"*affordability problems place greater pressures … which our approach of looking at averages does not yet consider" (CMHC, 2022a, p. 7). In fact, Zuk and Chapple (2016) have found that building low-cost housing, as opposed to market-rate housing, has double the positive impact on preventing displacement, which is a strong argument for "filtering up" by supplying a new generation of non-market rental housing.

At no point does *Canada's Housing Supply Shortages* explain exactly what its formula is to increase the supply of homes for ownership sufficiently to drive down house prices. As described above, the report begins by projecting number of households, after-tax household income, and interest rates to 2030, by province. The second step is,

> Given where we expect disposable income to be in 2030, what would the
> level of house prices need to be so that housing is affordable? We call this
> price the Maximum Affordable Price Level (MAPL). We take factors such as
> property taxes, insurance, utilities and other costs of owning a home into
> consideration when generating the MAPL. (CMHC, 2022a, p. 16)

Finally, using a model that "statistically estimates the relationship of supply and demand over time," "we ask the model, what is the supply required so that demand is satisfied and house prices equal MAPL? We compare that amount to how much housing supply we project will occur by 2030" (CMHC, 2022a, p. 16). But the report does not state what the ratio of owned homes to population over the age of 15 in Canada was in 2003, when Canada was allegedly at an ideal level of homeownership affordability. It certainly does not explain why Quebec, the province with the lowest rate of homeownership in Canada, has one of the lowest rates of CHN in the 2021 census, largely due, according to Statistics Canada (2022a), to "rent control policy" (Figure 6).
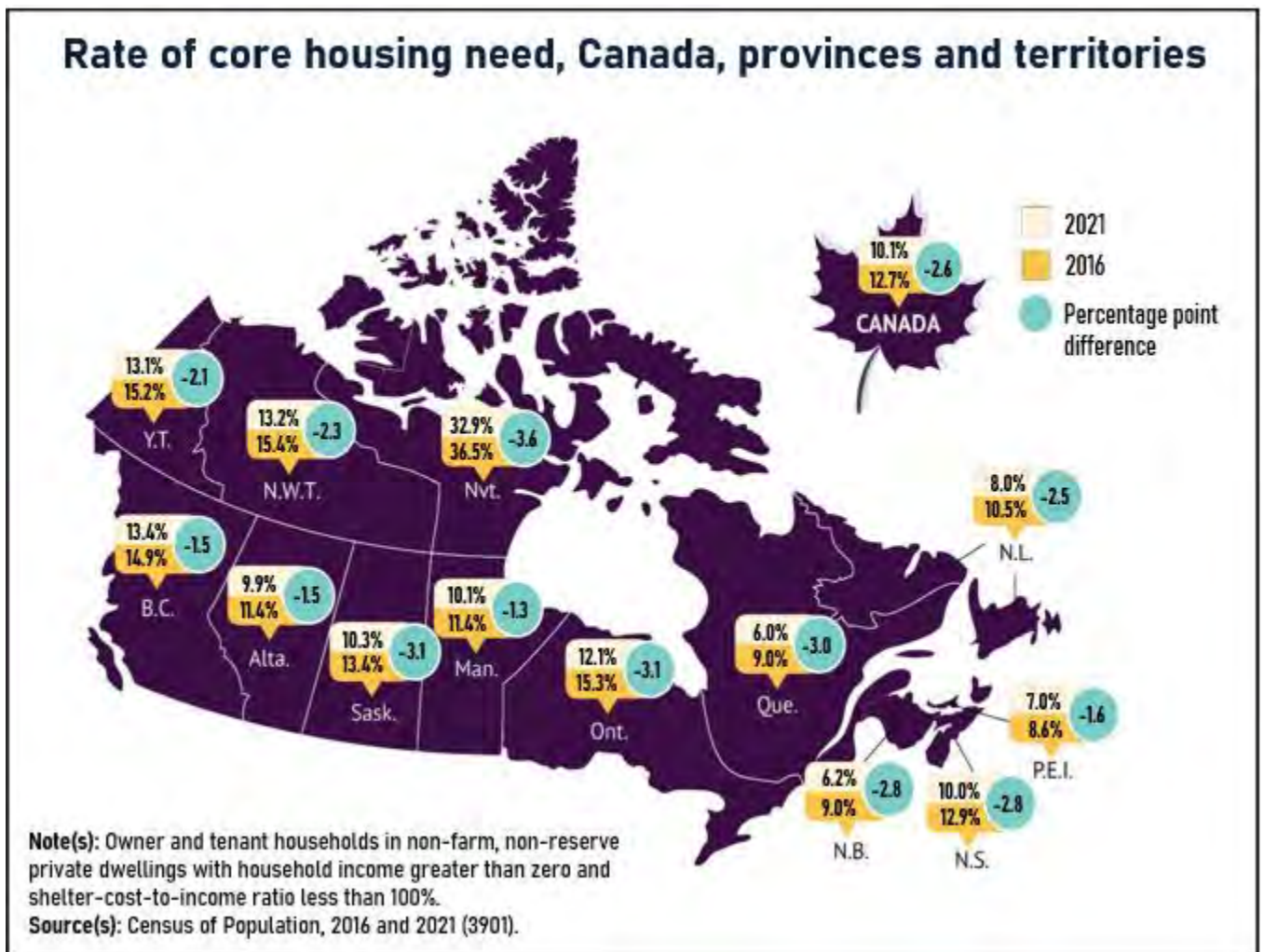

Figure 6: Core Housing Need by Province, 2021 Census (Statistics Canada, 2022a) [9]

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[9] It was only in the 2021 census that Statistics Canada began to report on-reserve core housing need. The rate of housing need on reserves is three times higher than the Canadian average (Statistics Canada, 2022e).

The report concludes by stating that these targets cannot be achieved by the federal government without partnership mechanisms. Specifically, the "private sector will be critical in addressing this supply shortfall. For their parts, governments can help by ensuring that the regulatory process is as efficient as possible while respecting important environmental and social concerns" (CMHC, 2022a, p. 27). The report acknowledges that more needs to be done to consider type, cost, and size of supply and improve its methods, but the overall purpose is to impress on governments and the general public that municipal approvals of large numbers of new homes is a necessary precondition for affordability: "The signal this gives to everyone about the scale of the challenge is more important than the exact number of housing units required" (CMHC, 2022a, p. 27).

At some point, the federal government needs to focus on addressing housing need rather than demand and further break down housing need by income category, household size, and priority population to ensure that its own programs and policies meet its previously published targets and sub-targets. It could do so by building on both past and present examples of methods to calculate housing supply shortages that align better with the NHSA. Good practices would be those methods that address the NHSA goal (adequate affordable housing for all Canadians), definitions (affordable housing defined as 30% of before-tax income, with a focus on those in core housing need who cannot afford adequate homes at an affordable price within their area), and targets (net reduction of households in core housing need and the elimination of homelessness).

5) Good Practice Approaches to Calculating Housing Supply Needs

The Curtis Commission Report (1944)

There is a long history of Canadian reports that provide a much stronger, rights-based analysis of supply needs.

Eighty years ago, the Canadian government turned to the problem of "an adequate housing program for Canada in the years immediately following the [Second World] war," by providing a housing supply strategy known as the Curtis Report after its lead author (Advisory Committee, 1944, p. 4). Its definition of affordable housing was that no household should spend more than 20% of before-tax income on housing costs, including utilities. It also considered overcrowding and inadequate repair in its understanding of core housing need, as is the case today (Advisory Committee, 1944, p. 14).

Its methods for calculating housing need included "accumulated deficit," "replacement of inadequate homes," "increasing vacancies," and the needs of a "growing population" (Advisory Committee, 1944, p. 11). It calculated an accumulated deficit of 320,000 mostly low-cost homes and a total target of 606,000 new or renovated homes to be provided between 1946 and 1956. It proposed an annual target of 50,000 homes a year, rising to 100,000 a year by the early 1950s (Advisory Committee, 1944, p. 13).

Given that Canada's population was 12 million at the time and is 40 million now, this provides a two million home target in terms of current population numbers. However, the Curtis Report comes from a time when households were twice the size they are now and when immigration (due to the Great Depression and then World War II) was low. Adjusting for these factors, the same calculations would lead to a deficit of closer to six million new homes.

Using an analysis that went beyond the methods used in current CHN-based assessment and *Canada's Housing Supply Challeng*es, the Curtis Report included all homes and households, including "homeownership, home improvement, slum clearance, low-rental projects, and rural and farm housing" (Advisory Committee, 1944, p. 9). The report began by dividing Canadian households into three income categories. It argued that while the top income tertile could afford new purchased homes, the middle tertile would require affordable rental (including non-market co-operatives). The lowest tertile would require public housing, with some households requiring public housing with additional operating subsidy (Advisory Committee, 1944, p. 14).

When it came to mechanisms, the Curtis Report recommended establishing separate federal urban planning and housing agencies, along with provincial planning agencies, to fund and support city plans that incorporated housing targets. It advocated for a "national curriculum" for aspiring urban planners to be developed "based on providing adequate housing." Like most federal reports, it discussed the importance of partnerships between all three levels of government but added that "with the current distribution of taxing powers it is inescapable that a major and possibly total part of public investment in housing should come from the Dominion [federal] Treasury" (Advisory Committee, 1944, p. 10). Specifically, low-cost grants and loans for

municipal property acquisition and the construction of low-cost municipal public housing were seen as the key mechanisms for affordable housing for a third of households (Advisory Committee, 1944, p. 16), with co-operative housing proposed as a mechanism for average income renters (Advisory Committee, 1944, p. 22). It recommended that two thirds of Canada's new housing supply over the next decade be non-market rental: one third public and one third co-operative.

The Curtis Report led to the establishment of the CMHC and its development of over a million ownership homes for low- and moderate-income households between 1946 and 1960. The homes sold for between $6,000 and $7,000, the equivalent of $80,000 in today's dollars, easily affordable to the low-income households of that era (Buchove, 2021). The CMHC also funded a national network of university-based planning programs that emphasized the role of urban planning in supporting affordable housing (Gordon, 2019).

However, "Victory Homes" were sold rather than maintained as municipal rental, which meant that affordability was not retained after the first sale (Buchove, 2021). A Toronto Victory Home was sold to its second purchaser in 1959 for $19,000 and was purchased largely unimproved for over $2 million by a third buyer in 2021 (Micallef, 2021). This anecdote neatly encapsulates the dilemma of subsidizing affordable homes for ownership in the speculative market: they don't stay affordable over time.

Federal Housing Action Program (1976-79)

Thirty years after the Curtis Report, the CMHC created a program similar to the current Housing Accelerator Fund (Pomeroy 2022). The 1976-79 Federal Housing Action Program responded to a problem identified through a housing supply need assessment: namely that there was an insufficient supply of homes for low- and moderate-income households, particularly renters. This was due to housing increasingly being treated as an investment during the early 1970s, causing prices to go up (CMHC, 1978, p. 2). But the problem of increasing housing costs also was due to three federal policy changes in the early 1970s: the end of a set of favourable taxation measures for purpose-built rental developers in 1972; the creation of a capital gains tax exemption for principal property owners in the same year, leading to a shift toward condominium construction in areas zoned for multi-unit (Oberlander & Fallick, 1992); and the end of the agreement between the federal and provincial governments wherein the federal government had provided 90% of funding for public housing, which had led to the development of 12,000 public homes per year from 1967 to 1974 (FRAPRU, 2021, p. 9).

The target for the Federal Action Plan was very ambitious: one million additional homes, aimed at low- to median-income households over three years (Pomeroy, 2022, p. 3). Given that the population of Canada was then 23 million, this equates to a contemporary target for the Housing Accelerator Fund of 1.7 million additional homes in three years (or 5.6 million additional affordable homes in a decade), almost as ambitious as the goal laid out in *Canada's Housing Supply Challenges*. The difference is that the 1970s plan had an equity lens, focusing on the needs of low- and moderate-income renters.

Half a million additional homes, mostly in the form of high-rise rental apartments, were financed in three years and built by the early 1980s (Pomeroy, 2022, p. 12) (see Figure 7). The mechanism was simple: guaranteed low-interest mortgages to private developers who met criteria related

to location, density, unit size and price, plus a grant of $1,000 per unit (the equivalent of $5,250 today) paid to municipalities for each unit created (Pomeroy, 2022, p. 5). Most of the homes were built by private developers, although there was a substantial increase in non-market rental housing due to this program. The 1978 interim evaluation of the program noted that homes were regulated by size and price. All rental homes were affordable to average income households in their market, with two thirds being two or more bedrooms. Significantly, given current concerns about younger millennials being unable to afford homeownership (Statistics Canada, 2022a) and either leaving big cities or being unable to form their own households in their job markets (Moffat, 2021; Moffatt et al., 2022), 24% of renter heads of households who benefited from this program were younger than 25 (CMHC, 1978, pp. 30–33).

However, the apartments that were created in the 1970s have been poorly maintained over time. They risk losing their affordability unless they receive essential energy and amenity upgrades (Tower Renewal Partnership, 2020).
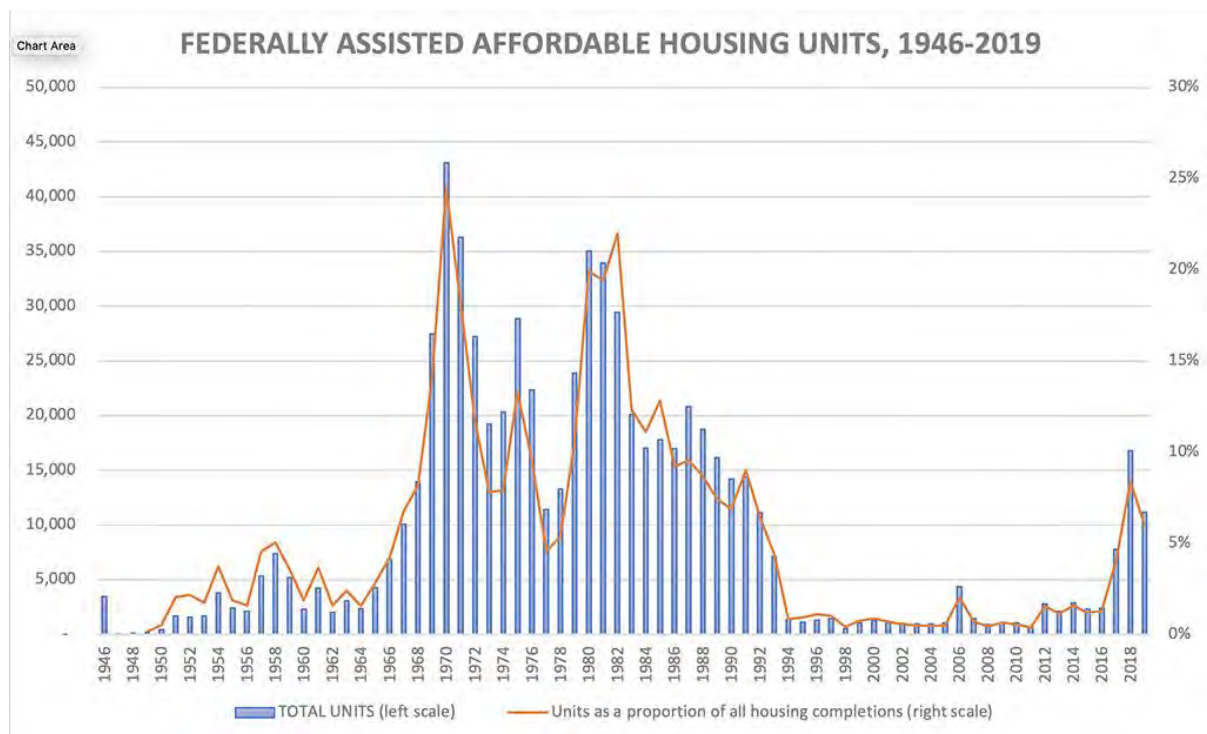
Figure 7: Federally Assisted Affordable Housing Units (showing impact of FHAP from 1980-82) (St. Denis 2022; chart by Brian Clifford, based on CMHC Housing Statistics over multiple years)

Canada-BC Expert Panel on the Future of Housing Supply and Affordability (2021)

In the past three years, a suite of housing supply need assessments has been published. The Canada-BC Expert Panel on the Future of Housing Supply and Affordability, created with CMHC funding and engagement, recommends a "a stronger role for housing needs estimates" at all levels of government (Canada-BC, 2021, p. 9) in addressing the problem of affordable housing supply. While commending the standardized housing need assessment methods recently introduced by the Government of BC (2022), it also uses "affordability adjustment," based on a

model used by the UK government, which addresses net loss of affordable homes as well as the additional rental homes necessary to bring down vacancy rates (Canada-BC, 2021, p. 22). The report also includes net loss of low-income housing in its analysis of need (Canada-BC, 2021, p. 13). Relying on methods that compare Canada's per capita housing supply to other G7 countries, it recommends a target of 1.8 million additional new homes by 2030 (Canada-BC, 2021, p. 31), that is, 4.3 million new homes in a decade.[10]

Because the Canada-BC Expert Panel Report focuses on the problem of affordable housing rather than average-income homeownership affordability, it recommends mechanisms that echo the Curtis Report and the 1970s Housing Action Plan and which are highly complementary to the NHS and the NHSA. First, it recommends a standardized set of definitions of affordable housing and housing need. These definitions would underpin a national "planning framework" that translates into a better partnership approach, with clear provincial and municipal targets. To support these targets, the report recommends, "federal and provincial governments create a municipal housing incentive program rewarding the creation of net new housing supply wherever demand occurs. Conditions may be tied to these funds, such as caps on new dwelling values or compensation for displaced renters" (Canada-BC, 2021, p. 30).

Second, the report recommends incentives for non-market housing, including tax and development contribution exemptions, density bonuses, and more realistic cost-sharing criteria as part of a revamp of NHS programs like the RCIF and the NHCF (Canada-BC, 2021, p. 20). Third, it calls for "a more active role for governments in helping non-market housing providers acquire existing affordable housing stock. We also recommend important increases in long-term funding for this sector to reach 10% of housing starts nationwide, as was the case prior to the mid-1990s" (Canada-BC, 2021, p. 3). This target would equate to 43,000 new or acquired non-market homes a year, using the accelerated housing supply targets in the Canada-BC report, for a total of 430,000 new or acquired non-market homes in a decade, a supply target 4.3 times higher than the 100,000 new "affordable" homes in the NHS. As seen in Figure 7, the non-market and regulated affordable sector accounted for 27% of completions in 1971 and 20% in 1982. A 20% rate of non-market housing completions would equate to 1,450,000 new homes in a decade under the *Canada's Housing Supply Challenges* target.

Fourth, the BC-Canada Expert Panel cautions against over-reliance on demand-side subsidies such as Canada Housing Benefits, pointing out that in areas with low vacancy rates, private landlords use these funds to bid up rents, which does not reduce core housing need (Canada-BC, 2021, p. 32).

Housing Assessment Resource Tools (2021 to Present)

The Housing Assessment Resource Tools (HART) project is funded by the CMHC's Housing Supply Challenge. In its first prototype stage, it developed a housing need assessment tool as well as a land assessment tool and tested them in the BC city of Kelowna (Whitzman et al.,

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[10] The estimates were for nine years, not a full decade, and the "business as usual" supply scenario was 2.3 million homes.

2021). In its second stage, it worked with 13 governments across Canada[11] to roll out its housing need and land assessment methodologies and developed a property acquisition tool. In its third stage, it is working with municipalities across Canada on a standardized housing need assessment tool as part of reporting on the Housing Accelerator Fund.

The housing need assessment tool is grounded in a rights-based framework that identifies the problem (inconsistent housing assessment tools used by governments leading to lack of coordinated policy) using NHS definitions of affordable housing, core housing need, and homelessness. The tool is intended to be simple to use, replicable (able to be repeated over time), comparable (able to be used by all levels of government), and equity-focused (in line with the NHSA). It derives the affordable housing deficit by breaking down core housing need in the latest available census by:

- Income category: using the traditional CMHC categories of low-, moderate-, and median-income households and inserting a new category of very low-income households (those reliant on social assistance, usually earning less than 20% of area median household income).
- Household size.
- Priority populations: groups identified by the CMHC as more likely to be in core housing need or to require additional supports, including women, Indigenous, racialized, senior, and disabled heads of households.

The project does not provide targets, as these are political choices. However, some governments have created income-based housing targets. Figure 8 provides an example of income categories (or maximum housing costs) for 10-year targets associated with particular forms of tenure and housing (City of Vancouver, 2017, p. 23).

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[11] From west to east: City of Victoria, Yukon Territory, Cities of Calgary, Edmonton, Hamilton, Toronto, Regions of Halton, Peel, York, and Durham, Cities of Ottawa and Gatineau, Victoria County (Cape Breton Island).

Building Type	Renters				Renters & Owners	Owners	Total	% of Total
	<$15k/yr.	<$15-30k/yr.	$30-50k/yr.	$50-80k/yr.	$80-150k/yr.	>$150k/yr.		
Apartment	5,200	1,600	2,000	3,000	200		12,000	17%
			2,500	12,000	5,500		20,000	28%
				6,500	16,500	7,000	30,000	42%
Infill				2,000	2,000		4,000	5%
					300	700	1,000	1%
Townhouse					1,700	3,300	5,000	7%
Total	5,200	1,600	4,500	23,500	26,200	11,000	72,000	100%
% of Total	7%	2%	6%	33%	37%	15%		100%

Legend: Supportive and Social Housing | Purpose-Built Rental | Condos | Laneways (Rental) | Coach Houses (Strata) | Townhouses
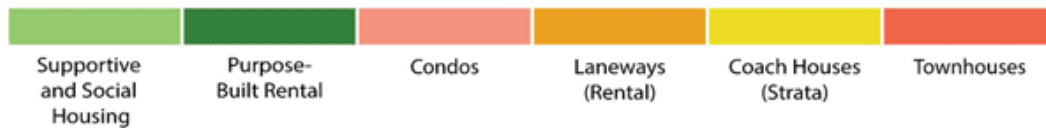
Figure 8:10-year housing targets by income category and home type (City of Vancouver, 2017, p. 23)

Canada Housing Renewal Association (2022) and Scotiabank (2023)'s calls to double non-market housing

Two more reports on the federal role in housing supply were published in 2022 and 2023 with remarkably similar prescriptions. The Canadian Housing Renewal Association (2022, p. 1) calls for "meeting the needs of the next generation" through a "minimum objective" of doubling the non-market housing stock in a decade. It points out that of the 650,000 non-market homes in Canada,[12] 600,000 were built before 2000, thus leading to an aging stock in need of renewal. The recommended target of 650,000 additional non-market homes in a decade is based on returning to the rates of delivery that existed from 1960 to 1980 within an expanded aggregate supply scenario: 65,000 non-market homes as 10% of a total annual supply of 650,000, with funding for acquisitions and renovations as well.

A report by Scotiabank economist Rebekah Young (2023, p. 4) also proposes to double the proportion of non-market homes, using the rationale that "market-priced housing will likely never be affordable for a serious share of households—and easily those in the lowest income quintile—based on current trajectories." As she writes, 7% of total housing stock (rather than the current 3.5%) would bring non-market housing in line with the OECD average. This is not a report based in a goal of affordable housing for all—at least not in the next decade: "This would not plug the gap, but it would be a start" (Young, 2023, p. 9). Despite 12% of Canadian households receiving some form of demand-side subsidy (e.g., housing benefit, short-term, market-based affordability as part of inclusionary zoning), the fact that rental costs are increasing 20% per year, along with increased immigration, means a sobering future without specific federal support for non-market housing.

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[12] 655,000 non-market homes were estimated by the CMHC in 2021, but the number has recently been revised to 894,000 homes after inadequate reporting in Quebec was addressed.

Ontario's Need for 1.5 Million More Homes (2022)

Finally, an August 2022 report from the Smart Prosperity Institute (Moffatt et al., 2022) uses yet another method to calculate housing supply needs over the next decade. The Smart Prosperity report starts by testing Ontario's Housing Affordability Task Force recommendations from April 2022. These recommendations give a homebuilding target of 1.5 million for Ontario over the next ten years to address the province's housing crisis, but do not explain how this number was derived. The Smart Prosperity report also tests the calculation in *Canada's Housing Supply Shortages* of 2.4 to 2.6 million new homes in the next nine years in Ontario alone to restore housing affordability by focusing on the two provinces with the worst housing affordability: Ontario and BC (Moffatt, Dudu, & Hosseini, 2022, p. 5).

The Smart Prosperity report not only asks whether these estimates are accurate, but also analyzes where in the province homes are most needed (Moffatt et al., 2022, pp. 6–7). Recognizing that the fastest growing regions in Ontario and BC have been on the peripheries of Toronto and Vancouver, the report focuses on a slightly different problem to those previously described: the "drive until you qualify" phenomenon. The phenomenon describes households where individuals commit to long commutes or working from a remote home in order to qualify for a mortgage or an affordable and suitable rental home. Affordability-driven sprawl has negative environmental, social, economic, and health impacts (Moffatt et al., 2022, p. 6). The report thus focuses on measuring unmet demand in high-cost communities in Ontario, using a rest-of-Canada average benchmark (RoCA benchmark) method.

This method relies on a calculation of suppressed household formation, defined as:

> New households that would have been formed but are not due to a lack of attainable options. The persons who would have formed these households include, but are not limited to, many adults living with family members or roommates and individuals wishing to leave unsafe or unstable environments but cannot due to a lack of places to go. (Moffatt et al., 2022, p. 8)

There is some resemblance in this last clause to the definition of hidden homelessness provided by the CMHC. The method begins with the affordable housing deficit provided by core housing need figures in the 2016 census. To this number, it adds a suppressed household formation number created by calculating the "headship rate," the ratio of household heads or maintainers to the population aged 15 or over. Ontario and BC have significantly lower headship rates than the rest of Canada, especially when considering younger household heads, aged 15 to 44. The method then estimates the number of homes each of Ontario's 49 Census Divisions would need to build to bring its supply up to the average of the rest of Canada by 2031 (Moffatt et al., 2022, pp. 8–9). Using this methodology, the report derives a target of 1.5 million homes that would need to be built in Ontario by 2031, which is similar to the Ontario Task Force's target but considerably below the *Canada Housing Supply Challenges* target of 2.2 to 2.6 million homes. It also finds that two census divisions in Ontario have particularly acute housing supply needs: the City of Toronto and Peel Region.

The report does not discuss mechanisms. It ends with a series of good questions that fit well within a national, rights-based approach to housing supply need:

- What types of housing need to be built?
- What steps must be taken to ensure an adequate housing supply is available at all income levels?
- What regulatory changes need to occur to build 1.5 million homes?
- How can Ontario obtain the skilled labour necessary to build 1.5 million homes?
- How can innovation allow Ontario to increase home building productivity such that doubling housing completions does not require a doubling of the labour force?
- How can we ensure that new housing is visitable and adaptable for persons with disabilities?
- How can these homes be built, in terms of both built form and location, in a way that is compatible with Canada's climate targets? (Moffatt et al., 2022, p. 26)

6) A Rights-Based Estimate of Housing Supply Needs in Canada

Income Categories

Using the Housing Assessment Resource Tool (HART)'s analysis of 2021 census core housing need by income category and adding other groups excluded by Canada's definition of core housing need, I provide estimates of current housing supply deficits and projected needs over the next decade by income category. I derive a shortage of 4.3 million homes by 2031 that are affordable to very low-income and low-income households, those who require homes ranging from studio to four-bedroom apartments, at a maximum cost of $1,050 in 2021 dollars. I further derive a shortage of 2.1 million homes by 2031 affordable to moderate- and median-income households, those who require homes at maximum costs of $2,520 in 2021 dollars. These shortages do not account for the net loss of affordable housing, which may shift numbers considerably upwards.

Keep in mind that there are three elements to any good housing need assessment:

1. Existing deficit
2. Estimated projected net loss of affordable housing through rent and price increases, demolition, and conversion (Pomeroy, 2022)
3. Estimated projected population growth

I do not include the second element in my calculations, because income-adjusted data is not available, although the CMHC should be working with Statistics Canada to generate this data. I use a rights-based approach to break down the existing deficit and projected growth by income category, household size, and priority population, with the emphasis on income categories associated with maximum housing costs.

For the purposes of these calculations, I am using the HART definitions of income categories (Table 2), based on the approach used by the US Department of Housing and Urban Development to support affordable housing programs. As is the case in the US, HART income categories are based on percentage of area median household income. HART uses logical Canadian "break points" related to sources of income. In the US analysis and HART analyses, area median household income based on metropolitan area is most used, but in this case, I am using Canadian median household income as a basis for these calculations.

Income category	Percentage of median income	Income source	CMHC income quintile equivalent
Very low income	0–20%	Mostly fixed income, such as social assistance or pension	Low (1st quintile)
Low income	21–50%	Minimum wage	Low (1st quintile)
Moderate income	51–80%	Starting salary for professional such as nurse or teacher	Moderate (2nd quintile)
Median income	81–120%	Mid-range salary	Median (3rd quintile)
Higher income	121+%	Higher-range salary	4th and 5th quintile

Table 2: HART income categories

Very Low- and Low-Income Housing Deficit

There were 14,978,940 private households enumerated in the 2021 census, which I have rounded up to 15 million for the purposes of my calculations. This definition excludes the following "non-private" households: unsheltered people and those in emergency and transitional (non-permanent) housing, those in congregate housing (including migrant farm workers, those in long-term care, those in rooming houses, and those who are in health and correctional institutions), and students.

In Canada, this represents a deficit of at least 2.2 million additional individuals (one-person households), most of whom are very low- and low-income individuals in inadequate housing. This figure includes:

- At least 35,000 homeless people (unsheltered or in emergency or transitional shelters) on a given night in 55 communities across Canada that undertake point-in-time counts (this is an extreme underestimate, given that only 59 of 737 municipalities with populations of over 5,000 participate). All of these people have very low incomes (Infrastructure Canada, 2023) and all are in inadequate housing.

- 70,365 temporary foreign workers on farms (Statistics Canada, 2023a), most of whom are very low income and the majority of whom are in inadequate conditions (e.g., 10 people on bunk beds in one room sharing one shower, toilet, and kitchen facility) (Migrant Farm Workers Network, 2020). I include all of this population, for a running total of 105,000 individuals (single-person households).

- 700,000 people in congregate living, including rooming houses, group homes, health and correctional institutions, and long-term care (temporary foreign workers are not

included in this calculation). The majority are very low income and have disabilities, such as physical, mental, addictions, cognitive, or a combination (Live Work Well Research Centre, 2021). Statistics Canada has no information on the housing conditions of people who are not in private dwellings, but recent reports (CERA, 2022, on long-term care in Ontario; Live Work Well, 2021, on group homes; Goldstein, 2022, on rooming houses) suggest that the majority of those in congregate living are in overcrowded, unaffordable, or uninhabitable conditions. I include 600,000 of this population, for a running total of 705,000 individuals (single-person households).

- 2,200,000 university and college students (Statistics Canada, 2022c), only 35% of whom live with a parent or parents (Statistics Canada, 2022d), leaving 1.43 million students, almost all of whom are very low or low income and of whom very few are in affordable university residences. Again, Statistics Canada has no information on core housing need among students, but a recent study on non-permanent residents (Tuey & Bastien, 2023), of whom half were on work-study or study visas, found that one third were in overcrowded accommodation. I conservatively estimate that at least 1.2 million students living away from home are in unaffordable, overcrowded, or poorly repaired homes. Of course, many more might prefer to live independently from their parents if they had affordable options. This leads to a conservative running total of 1.9 million uncounted individuals (single-person households).

In terms of those counted in core housing need, very low-income households are only 2% of the total number of private households, but 69% of them are in core housing need, which represents almost 200,000 households who can afford a maximum housing cost of $420 per month. When it comes to low-income households, 18% of the total number of private households are in that category. Almost one in four of these households are in core housing need, a further 900,000 households whose maximum housing cost is between $421 and $1,050 per month.

Income category	Percentage of households	Number of households	Max income ($)	Max shelter cost ($)	Percentage in CHN	Number in CHN
Very low (0–20% median)	2%	300,000	$18,600	$420	69%	199,613
Low (21–50%)	18%	2,700,000	$42,000	$1,050	37%	921,093
Moderate (51–80%)	19%	2,850,000	$67,200	$1,680	11%	293,685
Median (81–120%)	21%	3,150,000	$100,800	$2,520	1%	35,260
Higher (121+%)	40%	6,000,000	n/a	n/a	0%	1,435

Income category	Percentage of households	Number of households	Max income ($)	Max shelter cost ($)	Percentage in CHN	Number in CHN
Total	100	15,000,000				1,451,030

Table 3: Percentage of households by income category 2021, with max income and shelter costs by national averages (HART analysis 2023 based on 2021 Canadian census)

To look at the problem from another direction, almost eight in ten households in core housing need—the focus of the National Housing Strategy—are very low- or low-income. It is worth noting that the 2021 census was enumerated in May 2020, when at least 250,000 very low- and low-income households were temporarily lifted from CHN because of a short-term income bump related to the Canada Emergency Response Benefit and other measures in response to COVID-19.

There is an insurmountable gap between very low-income households, who are mostly but not exclusively single-person households, and the amount needed to pay for adequate market housing. Annual welfare payments in 2021 for an employable single person in Ontario, Canada's most populous province, was $10,105. There is a wide variance, from $7,499 in New Brunswick to $12,948 in Quebec and $13,838 in PEI. Income for a single person with a disability in Ontario was $15,449 (Laidley & Tabbara, 2022). The average one-bedroom rent for Canada's six largest cities ranged from $1,197 in Edmonton to $3,013 in Vancouver in August 2023, considerably more than the total monthly income for any single person on social assistance in those provinces. Even rooming houses and studio apartments in the private market are well beyond the ability of very low-income households to pay. The average single room rent across Canada in August 2023 was $1,450 (rentals.ca, 2023). That is a gap of over $1,000 a month between very low-income affordability and market rent.

There is an equally insurmountable gap between low-income households and market rents, especially in the case of larger households. Most low-income households are reliant on the minimum wage. Minimum wage across the country ranges from $13.70 in PEI to $16.75 in BC and $16.77 in the Yukon (Retail Council of Canada, 2023). There are only four cities in Canada, all in Quebec, where someone working full time (40 hours a week, 52 weeks a year) at the minimum wage can afford an average one-bedroom apartment, and no city in Canada where someone working full-time at the minimum wage can afford a two-bedroom apartment (Macdonald & Tranjan, 2023).

Relying on a housing benefit approach means finding a home to rent in a market crowded with moderate- and middle-income households who cannot afford to buy a home and students who do not even count in housing policy. According to the CMHC (2023c), there are statistically zero apartments in Toronto, Ottawa, Kitchener-Waterloo, and Hamilton affordable to very low- and low-income tenants. Only 1% of apartments are affordable to very low- or low-income tenants in Vancouver and Victoria.

Keep in mind that the real figure, including congregate households in core housing need, is over three million households, predominantly but not exclusively single-person households. There is statistically close to zero private rental housing in most major metropolitan areas outside

Quebec that is affordable or available to these households. While some very low- and low-income households are in affordable housing now, they all are one or two paycheques away from homelessness (Tranjan, 2020).

Very Low- and Low-Income Housing Needs to 2031

Add to that low[13] estimate of 1.1 million low-income private households in core housing need another conservative estimate of 1.9 million non-private households—all homeless people, the majority of those in congregate living, and students living independently—who are excluded from the definition of core housing need in the census gives a total deficit of three million very low- or low-income households. These households are currently unable to find adequate housing in the private market for less than $1,050 and would require subsidized or non-market housing to meet their needs.

Add to this deficit of three million a projected 2.7% annual population growth rate, based on current trends (Statistics Canada, 2023b). This equates to an additional 10.8 million newcomers to Canada over the next decade, or up to 5.1 million total households. Newcomers (especially international students, other "temporary" migrants, and asylum seekers) are likely to be very low- or low-income, especially in their first years in Canada. A cautious estimate of 25% of these new households being very low- or low-income means 1.3 million additional households in the lowest income quintile requiring adequate housing. Therefore, the ideal target to realize the right to adequate housing would be a supply of at least 4.3 million new or acquired subsidized and preferably non-market homes over the next decade that rent for less than $1,050 per month, adjusted for inflation.

Another alternative, especially in the short term, is subsidizing the private market to develop and maintain adequate rental homes through demand-side housing benefits. For those who are homeless and in core housing need at risk of homelessness, that would require a very heavy subsidy of between $1,142 per month (the difference between an average studio in Edmonton at $1,382 per month and 30% of the income of a single person considered employable in Alberta, which is $9,728 per year or $243 per month) and $3,689 per month (the difference between rent for an average three bedroom in Vancouver at $4,604 per month and 30% of welfare income for a couple with two children in BC which is $915). An average of $1,500 per month housing benefit multiplied by the 4.2 million housing deficit equals $6.3 billion a month, suggesting that scaling up direct supply of non-market housing may be less expensive in the long run than providing ongoing, demand-side subsidies to private landlords.

A third policy alternative is the federal government either creating a guaranteed annual income or using transfer payments to pressure provinces and territories to greatly increase social assistance and minimum wages to the point where housing is more affordable. However, millions of homes available at $800 to $1,600 per month would still need to be brought online to meet supply needs.

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[13] A reminder that Statistics Canada found that the reduction of 250,000 households in CHN was due to temporary COVID-era benefits which have now ceased and which disproportionately assisted very low-income families.

Moderate- and Median-Income Housing Needs to 2031

There is a much smaller proportion of moderate-income households (11%) in core housing need, mostly larger families, and a very small proportion of median income households (1%) in core housing need, mostly in the North and as a function of overcrowding rather than lack of affordability. However, many moderate- and median-income households fall in the category of suppressed local demand (they are "driving until they qualify" for low housing costs far from employment and services) and suppressed household formation (they are continuing to live with parents or roommates solely for affordability reasons). To the 293,685 moderate income households and 35,260 median income households in core housing need, à should be added an estimated need for one million well-located new homes in the next decade, at least 600,000 in the Greater Toronto Area alone, to address suppressed local demand and suppressed household formation (Moffatt et al., 2022; von Bergmann & Lauster, 2022; Moffatt, 2021).

To that 1.3 million figure should be added at least 50% of the projected 10.8 million people (2.6 million households) expected to migrate to Canada over the next decade. That suggests a need for 3.9 million additional homes affordable to moderate- and median-income households.

As discussed above, homeownership is out of the question for moderate and median-income first-time buyers in all cities across Canada, with median house costs having increased from 2.5 times median household incomes in 1980 to 8.8 in 2022, with 3 considered the benchmark for affordability (Caranci et al., 2022). In 2021 dollars, indicative rents should range from $1,050 to $2,500. This is well below current median rents in most large cities, let alone typical rents for new apartments.

Higher Income Housing Needs and Policy Implications

There is a very small number of higher-income households in core housing need, mostly in the North, a function of overcrowding as much as affordability. There are also higher income households in some markets, particularly in BC, who cannot afford market rents. As well, some proportion of migrants arriving in the next decade (probably less than 25% of households) will be high income. This represents 1.4 million households.

Even though they are not in core housing need (because they may be paying over 30% of their household income on rent, but are able to afford local alternatives), there is still the need for new homes for high-income households. There may be some limited positive filtering effects on median-income households if a greatly expanded number of new homes for ownership are produced. More rental and ownership homes, even if they are high cost, will relieve some of the supply pressure on most Canadians. However, homes for high-income households should require no further subsidy through NHS schemes like the Rental Construction Finance Initiative.

Housing Need by Size of Households and Policy Implications

In terms of the size of households in housing need (Table 4), most very low-income households are single-person households. Some may be able to be adequately accommodated in studio apartments or even, in the case of long-term care homes or student residences, in a single room with shared kitchen and common room facilities. However, there are over 26,000 very low-income couples or parents with young children who require one- to four-bedroom apartments at less than $1,050 a month. Given the proportion of larger households in core housing need who

are low or moderate income (11.3% have four or more people), a rights-based sub-target would be at least 10% of all non-market and affordable private rental housing having three or more bedrooms and a further 25% having two or more bedrooms.

Income Group	Households in Core Housing need					
	1p HH	2p HH	3p HH	4p HH	5p + HH	All HH sizes
Very Low Income	173,755	19,655	4,005	1535	665	199,615
Low Income	596,670	214,365	68,055	29,495	12,450	921,035
Moderate Income	33,130	96,260	71,795	54175	38325	293,685
Median Income	490	1,680	6,015	11,190	15,885	35,260
High Income	0	50	110	260	1015	1,435
All Income Categories	804,045	332,010	149,980	96,655	68,340	1,451,030

Table 4: Household sizes in core housing need, 2021 census (HART data, 2023)

Housing Need by Priority Population and Policy Implications

Finally, Table 5 analyzes 2021 core housing need by the priority populations identified by the CMHC (2023a). Many of the priority populations (single mother, Indigenous, and refugee or new migrant led households) are likely to require larger homes. Other priority populations (those with disabilities and those over 85) are more likely to require supportive and accessible homes. Sub-targets should be developed at the local level to ensure that these needs are met in culturally adequate ways.
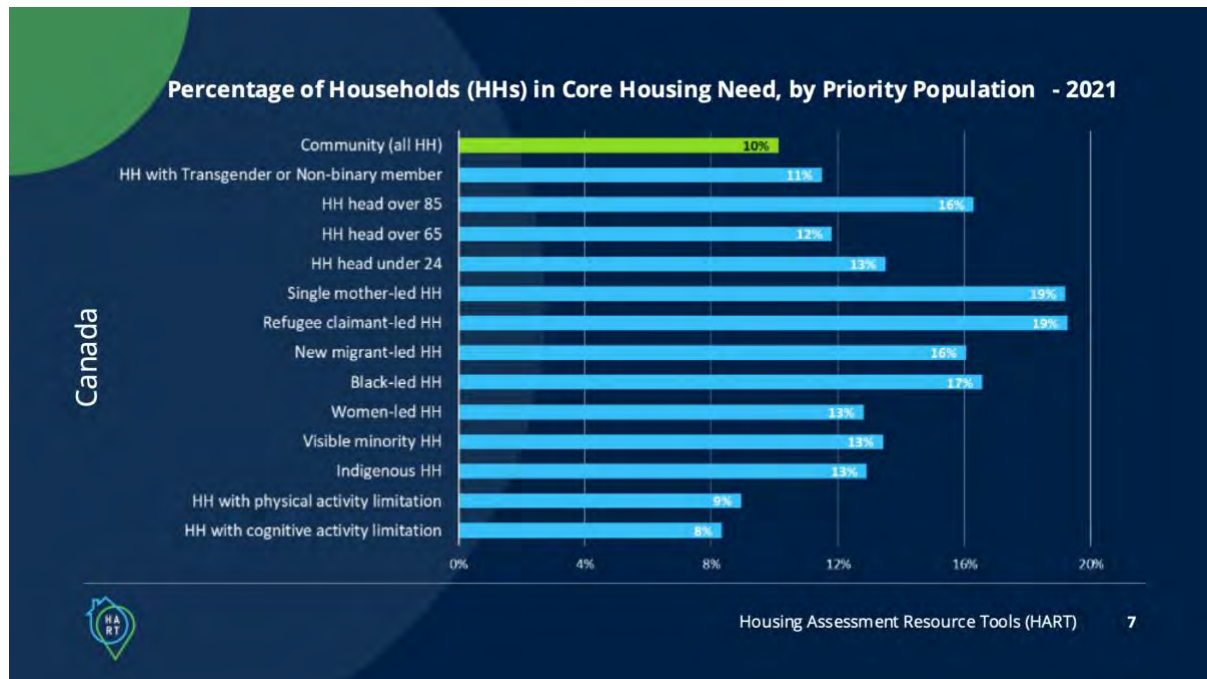

Percentage of Households (HHs) in Core Housing Need, by Priority Population - 2021

Canada

Community (all HH)	10%
HH with Transgender or Non-binary member	11%
HH head over 85	16%
HH head over 65	12%
HH head under 24	13%
Single mother-led HH	19%
Refugee claimant-led HH	19%
New migrant-led HH	16%
Black-led HH	17%
Women-led HH	13%
Visible minority HH	13%
Indigenous HH	13%
HH with physical activity limitation	9%
HH with cognitive activity limitation	8%

Housing Assessment Resource Tools (HART)   7

Table 5: Percentage in Core Housing Need by Priority Population 2021

7) Conclusion

This report uses the National Housing Strategy, *National Housing Strategy Act*, and historical and contemporary work on housing need assessment to argue that the methods used to calculate housing supply need in *Canada's Housing Supply Shortages* bear no resemblance to a long history of work informing Canadian housing policy.

Instead, I argue for a rights-based approach moving forward. The first recommendation is a return to using income categories, to analyze housing need associated with maximum housing costs, and to develop targets. I further recommend an analysis that includes consideration of household size and priority populations as part of an intersectional, equity-based approach. I recommend that any further reports on housing supply needs take this rights-based approach to prioritize those most in need.

My second recommendation, again flowing from a rights-based approach, is that any further discussion of supply needs must begin with a common definition of affordability and a focus on improving outcomes for those in greatest need. Using that rights lens results in a current housing supply deficit of at least three million homes affordable to very low- and low-income households, with a further deficit of at least 1.3 million homes affordable to moderate- and median-income households. However, the National Housing Strategy neglects the impact of population growth. Based on current population growth projections as well as existing deficits, Canada will need 4.3 million additional homes available to very-low and low-income households in the first household income quintile, 3.9 million additional homes available to moderate- and median-income households in the second- and third-income quintile, and 1.4 million homes available to higher-income households in the fourth- and fifth-income quintile. In all, Canada will need to increase its number of homes from 15 million to closer to 25 million by 2031.

Where *Canada's Housing Supply Shortages* and this report agree is in arguing for an evidence-based approach that recognizes large and increasing supply needs. These supply needs must be addressed by all levels of government, along with market and non-market developers, and private and philanthropic finance. My third recommendation focuses on better evidence. The core housing need measure used since 1991 excludes homeless people, students, those in congregate housing, and those on farms. It ignores the impact of suppressed household formation on preferred household size. It further excludes the impact of suppressed local demand on the need for well-located homes in large cities. Finally, housing supply need calculations must be regularly updated to reflect changes in immigration policy. The federal government must improve its methods of calculating housing needs.

The fourth recommendation is that the federal government use evidence to develop national, provincial or territorial, and municipal or regional supply targets, and that these be linked to federal infrastructure incentives.

The fifth and final recommendation begins to address policy implications. An approach that prioritizes aggregate housing supply, particularly aggregate homeownership supply, will do little to alleviate Canada's current housing supply needs, even if billions of dollars were to be spent annually on demand-side housing subsidies for low-income households. The Canadian government must show leadership by focusing on improving outcomes for those in greatest

need to fulfill its rights obligations while using its resources most effectively. This requires greater investment, in the first instance, in a scaled-up non-market housing supply program.

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