

Problem

The COVID-19 pandemic has had a drastic change in Canada's economic situation, affecting the Canadian housing affordability. This led to problems with unemployment, immigration, house taxation, supply and demand, mortgage policies and government regulations. When it comes to housing affordability it is a major concern for Canadians, owning a home, wanting to own a home or renting, especially for millennials.



Background

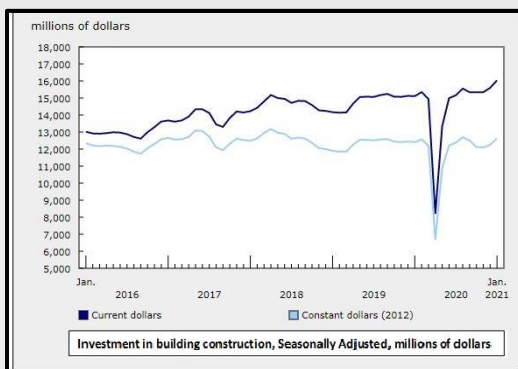
Canada has been known to have a sturdy housing market, although many Canadian households face housing affordability issues. Despite a cool-down in the market and a drop in residential prices, there is still not a positive outlook in sight for more affordable housing, as one might expect. The reason for this is that affordability factors are more than just prices.

- In 2016 it has been observed that a great percentage of 12.7% Canadian households were in need of housing. In the urban areas the percentage is comparatively higher.
- The ministry of Canada believes that infrastructural delays in building, fixing sewers, highways, and roads, also impacting market supply and demand.
- 2018 research shows that 11.6% of Canadian households are in core housing need, meaning that their cost of housing accounts for more than 30% of the household's total income before tax (Government of Canada, 2020).
- The issue in our view for the sharp rise in prices and the affordability issue fundamentally is the supply side not being able to adjust quickly enough to demand.

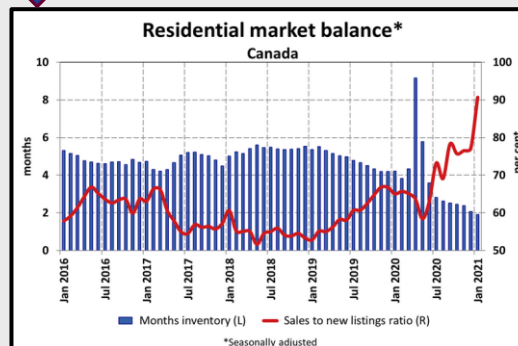
Miral, Amna,
Mansimran, Rachel

Canadian Housing Affordability Crisis

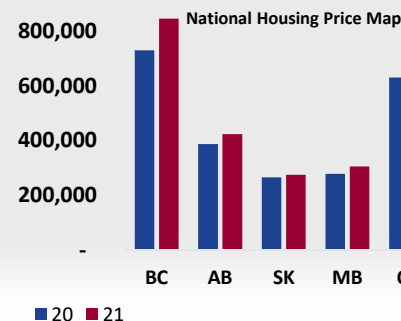
Data Analysis



2020 Q3 increase in construction building investment by 60% because of adapting workplaces to Covid-19.



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High prices are affected by a high demand and short of housing supply which impacts the consumers home ranking preference (CHBA, 2020).

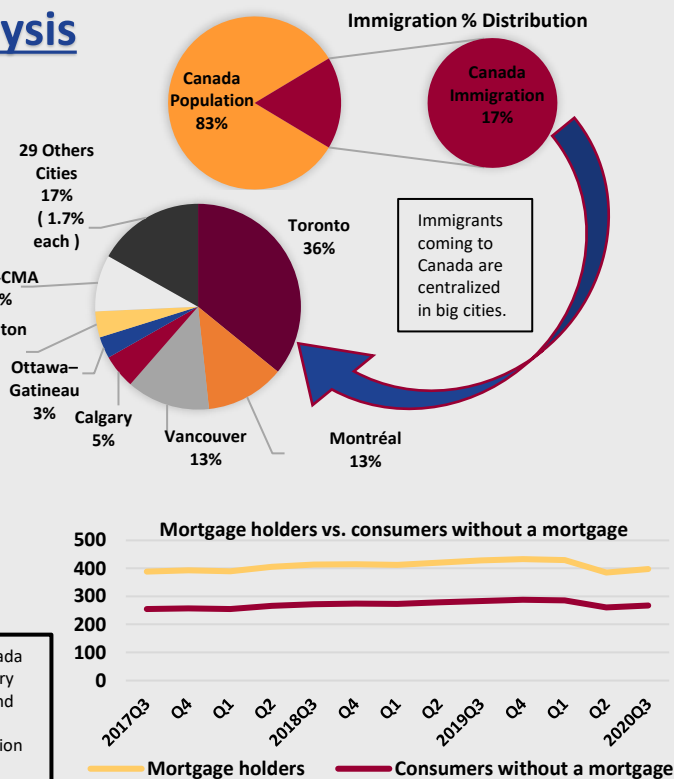
75% of Canada's population growth comes from immigration, mostly in the economic category (Infographic, 2019).



Property Tax In Big Cities

\$14,210 Winnipeg
\$6,028 Halifax
\$1,281 Vancouver
\$3,074 Toronto

Vancouver has the best property rate in Canada with. The highest property rates in the country have been seen in cities such as Winnipeg and Saint John. It has been evaluated that lower income homeowners spend a very large portion of their income on property tax (Palameta & Macredie, 2014).



City
1 Windsor(ON)
2 Guelph(ON)
3 Brantford(ON)
4 Victoria(BC)
5 St. Catharines (ON)

Housing Attractiveness

2% safeguard impacts Stress Test credentials for consumers (CHBA, 2020).

References

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The proposed strategy combined all factors from our analysis for Mortgage rates, immigration distribution, residential short supply, Government stress test rules and government regulations. A recommendation for 5-year strategy recovery plan is as follows:

Immigration:

Looking at the trend from 2013 and 2019, the number of immigrants setting in smaller urban centers went up by 45% compared to 9% in Canada's four major cities (Moetaz & Thevenot, 2021). Many of these cities have a declining natural population. These cities and provinces depend on migration to stay competitive economically. Recommended that Canada should increase employment and settlement housing to attract more immigrants into smaller urban cities. By taking down any barrier in the Canadian regulation experience for the immigrants to have the opportunities in the workforce competitive advantage.

Financial institutions:

It is often much easier to qualify for a mortgage with a nonbank mortgage lender than with a general bank. Considering 50% of non-bank institutions are currently servicing non-mortgage lenders to develop a more creative untailored model for insured mortgages (Bank Mortgage Lenders, 2021). Also, the fact that non-banks are not regulated the same way as banks allowing them to offer different programs and qualification requirements.

Government Regulations for banks:

Banks are experiencing hesitation when it comes to offering mortgage loans due to the number of regulations and compliances. It is recommended that the government imposes ease and flexibility for banks offering mortgages. Less regulations for Canadians and immigrants will increase and drive the buying force and while decreasing the mortgage monopoly. To increase bank Government and bank involvement and investment in the buying force, to contribute to Canada's overall recovery.

Construction investment:

For the Canadian Government to support the CHBAs and the CRERs initiatives through partnerships between the public, private and non-profit sectors, to increase investment and new construction to support the increasing demand affordable housing. This can be achieved in smaller urban cities across the country, for example in the Green Belt area of Ontario.