

HOUSE AFFORDABILITY CRISIS



Problem

The World Health Organization declared a notice for Public health emergency in January 2020 due to the outbreak of coronavirus. A pandemic was declared in the month of March 2020 all over the world. It had an adverse effect all over the world and Canada in particular. It has affected various sectors like economic, politics, environmental, health etc. Out of all the sectors, economic sector was the one which was affected the most and is still facing significant changes. The government's decision to lockdown led to closure of most of the industries and the rest of the retail businesses had to find a different way to be on track such as opting to ecommerce. This change has led to surge in the rates of unemployment as only essential workers and important sectors deploy work from home which enables only fewer people to generate stable source of income. Along with all this sectors it also affected the real estate sector about the % of house affordability index. As we know house affordability was already a major issue in Canada and is mainly affected by a few factors such as average personal income, Unemployment, Immigration etc. Basically the drop in income has personally affected individuals like home owners and tenants.

Current Situation on House Affordability

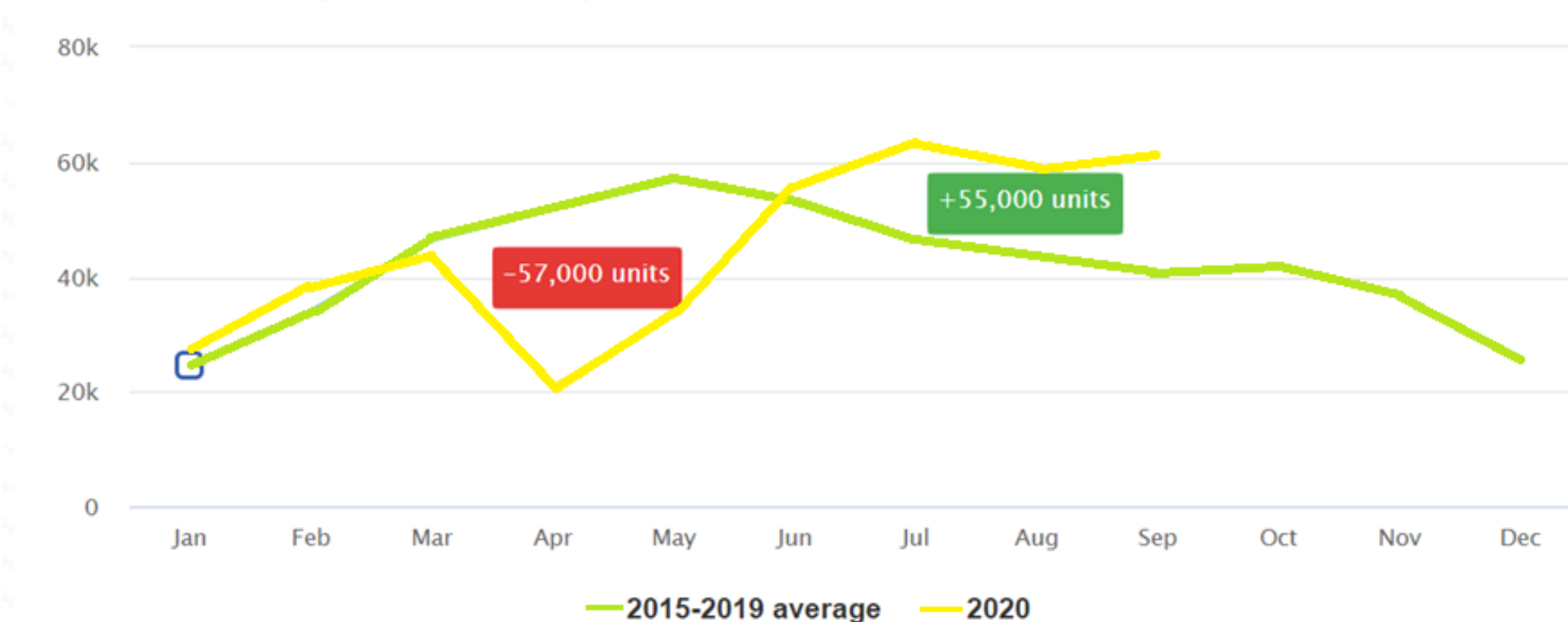
The goal to control the spread has not only affected how the Canadians are working but also the decision of where to live across Canada. The main or the major reason behind that is that the people now are looking for houses rather than flats and condos according to the data. Major population of Canada is looking for houses with big yards and living space with a larger area. This lead to a surge in condos which are unoccupied. The prices of these condos have plummeted when compared to the previous year. Immigration of students and working population has decreased as a reason of ban on cross border travel which also plummets the demand in student housing as well as house demands in general.

Peak transition of sales in summer

Normally the month of march is the time when people look out for new houses or sales or just a browse for new properties in general. As the lockdown for relieved for a moment during the summer, there were growth in demands during the period between July-September 2020. Below the graphical visual for the following data.

Home resales soar back to life after spring lockdowns

Sales per month, unadjusted for seasonality

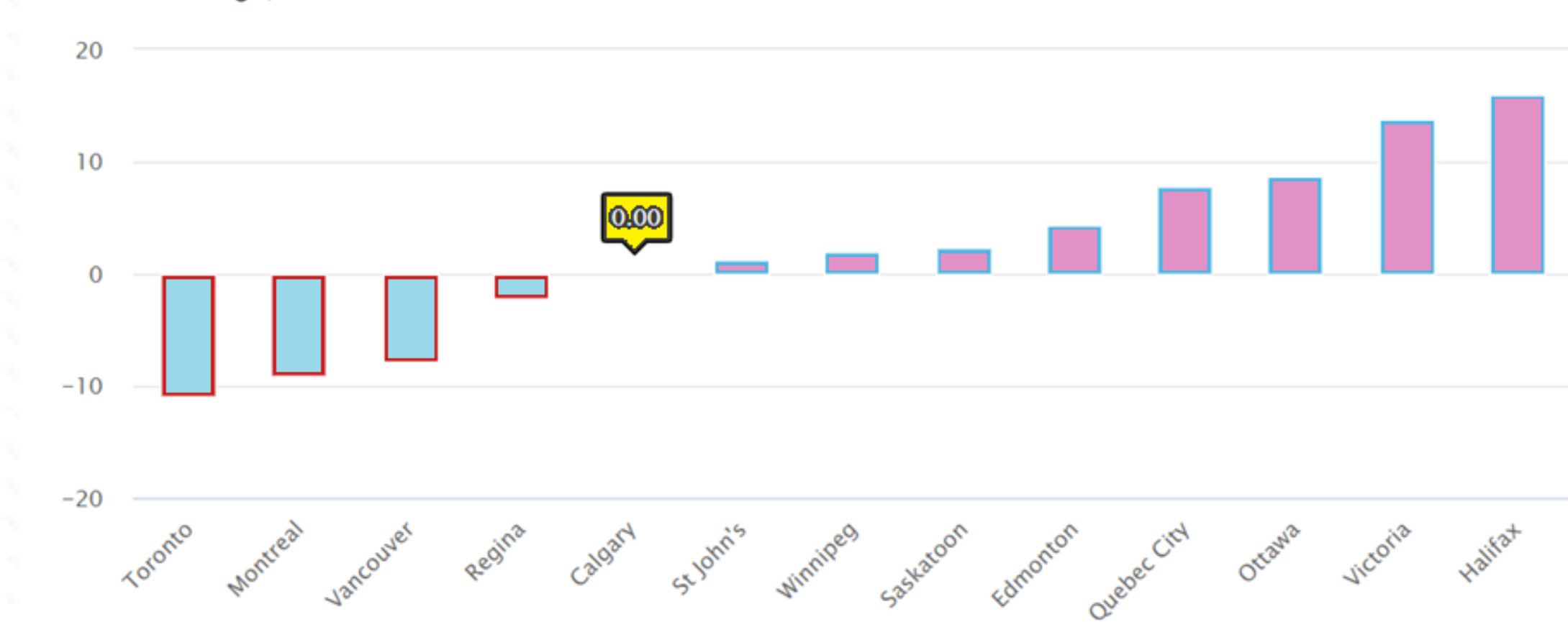


Plummet in the rental markets

Rental properties are normally booming in Canada, the main reason behind this is the immigration population residing in Canada. A recent research shows that the immigrated population on an average lives in a rental property for 3-5 years before they invest in their own house. Due to the pandemic the rates of rental properties is dropping down all over Canada. Also in the major cities like Toronto, Montreal and Vancouver the rates have dropped significantly. The rental population have faced the most financial pressure as they consist of young students.

Asking rent for one-bedroom apartments

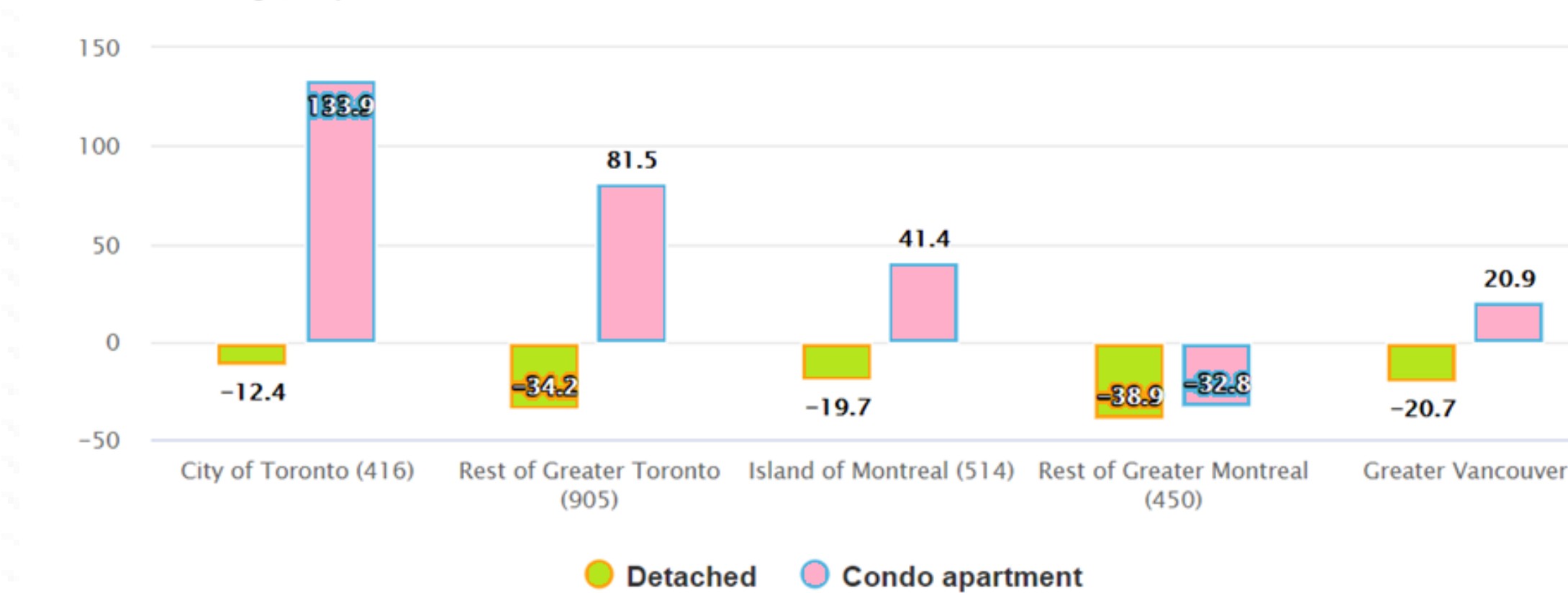
Annual % change, October 2020



So because of this change the condo owners or investors are looking to sell their properties in the market. There has been a significant increase in the listings of condos in these major cities like Toronto, Montreal etc.

Condo listings swell as supply of single family homes tightens

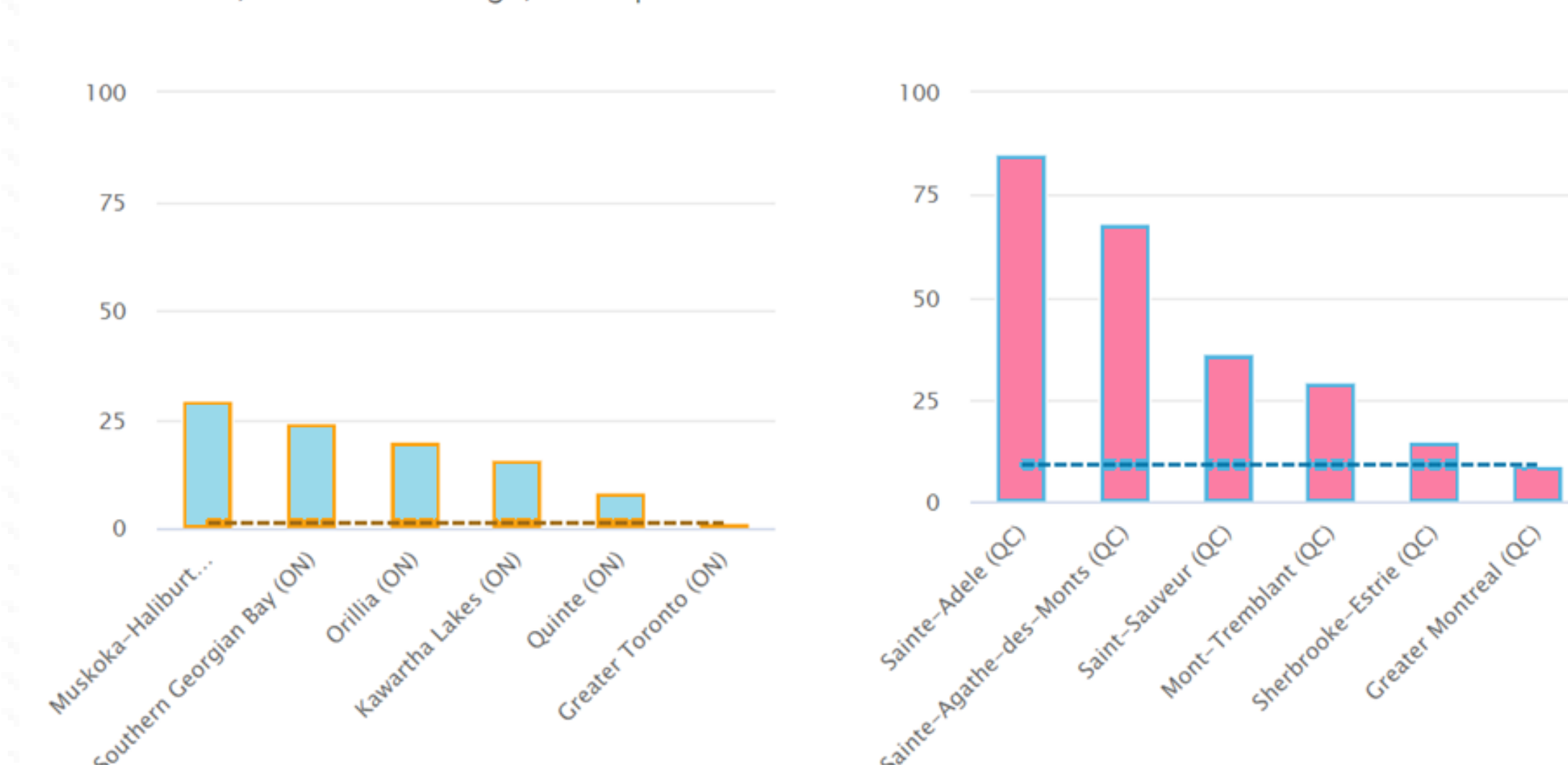
Annual % change, September 2020



People looking for areas with larger spaces

There have been a surge in the population of people looking for houses in the country side due to the measures of social distancing. These has lead to a rise of demand in houses outside these big major cities and the night life. The other reason is affordability, which is pushing these people away to the country side due to loss of job or deplete in their personal income.

Year-to-date, annual % change, third quarter 2020



2021

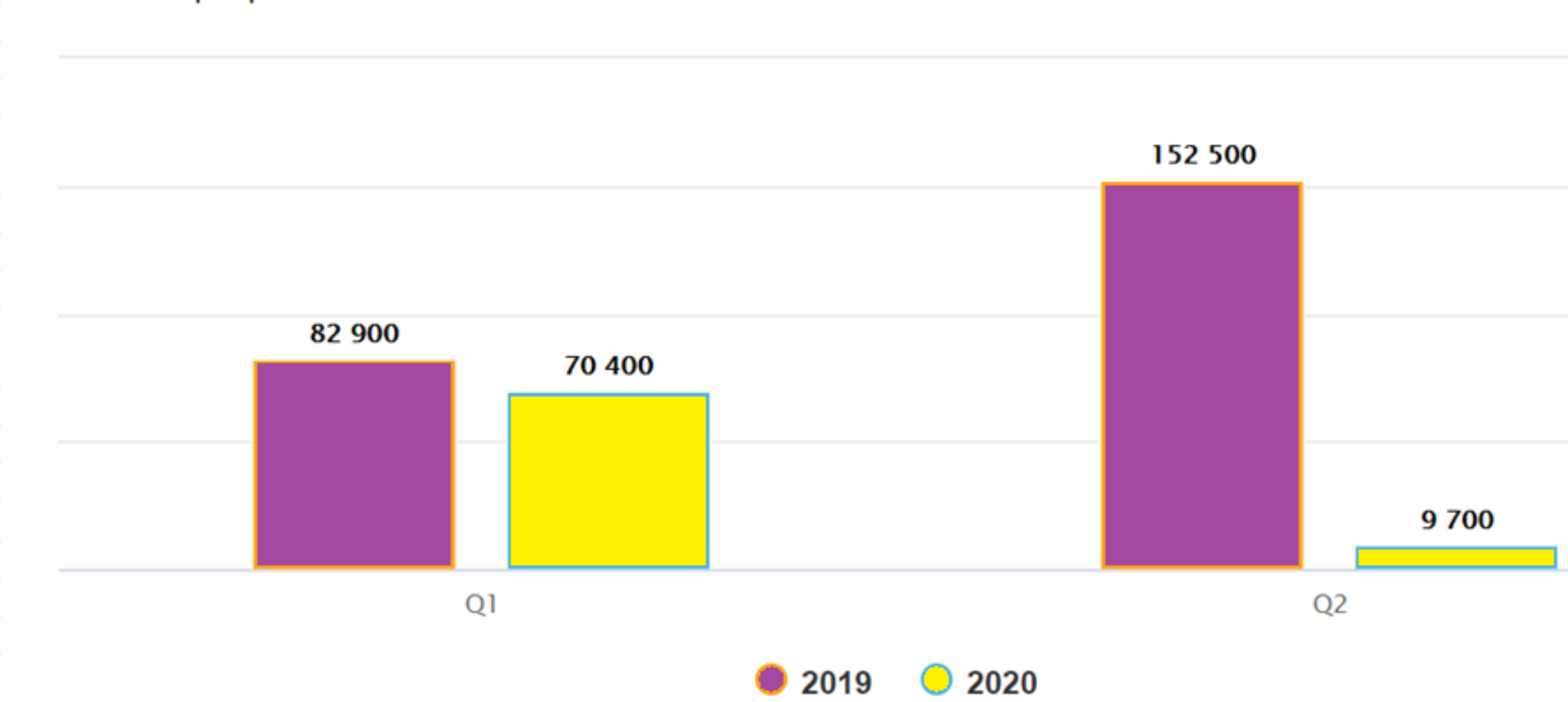


Immigration

According to the researched data, the rate of immigration in Canada has been dropped by 94%. This has a major effect on the rental housing properties. Most of the immigrants have either returned home to their home countries and continue their education. This also has an adverse effect on the real estate as most of the investors buy homes and put it on rents. This could lead to slower housing market as well as decrease the overall price throughout the country.

Migration to Canada plummets

Number of people

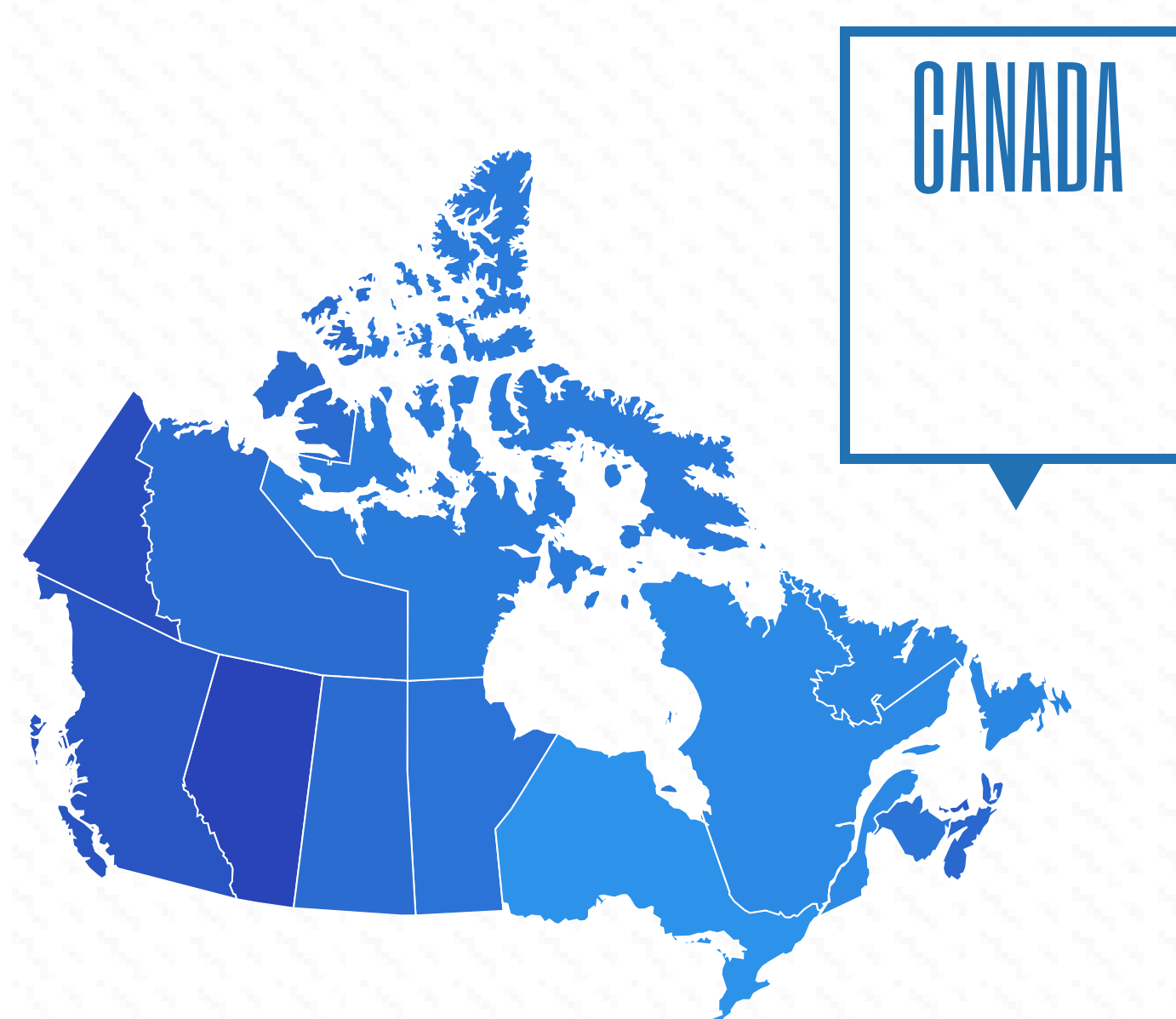
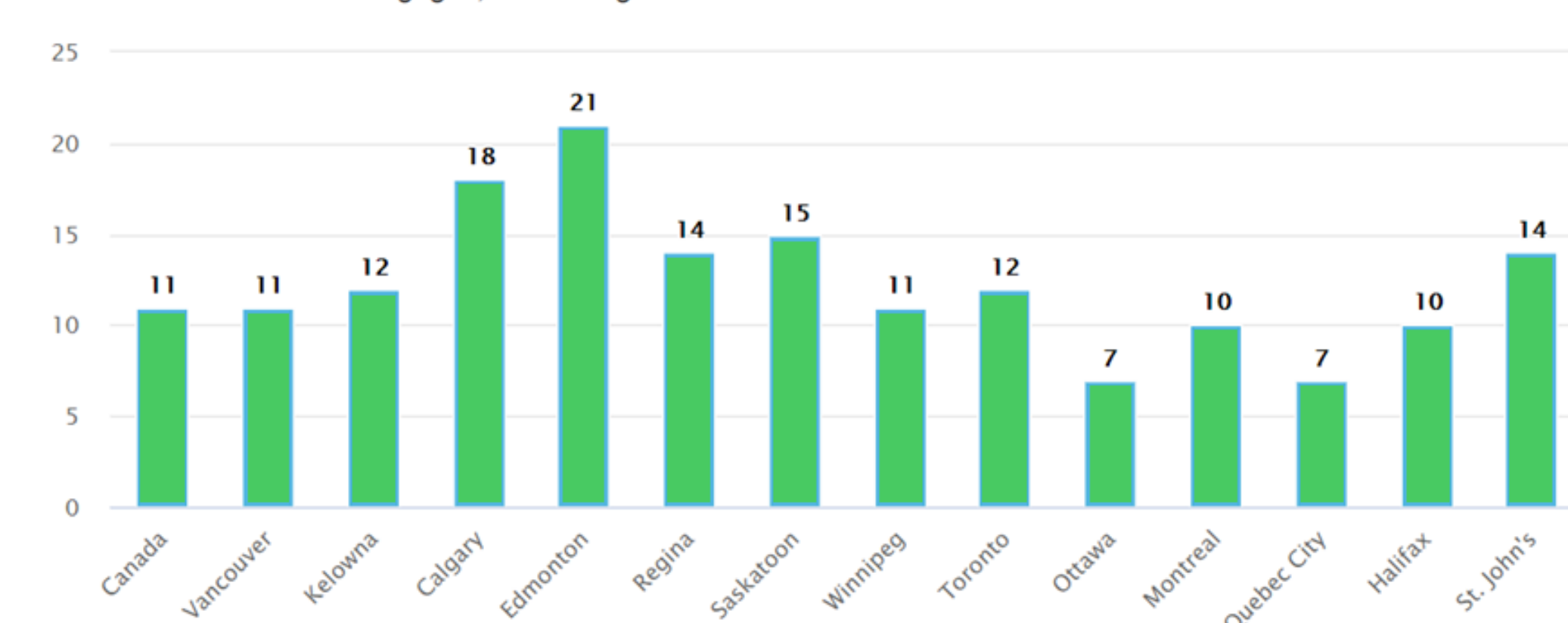


Deferral of payments

As the amount of unemployment has soared in the country, the Canadian citizens has asked for deferral in payments to the banks for house mortgage and loans. According to the data around 780000 people have opted for deferral. But by the end of August 2020 a large amount of the population has continued their regular payments. These leads to a large number of properties of sale during the pandemic.

Mortgage payment deferrals across Canada

As % of total number of mortgages, end of August 2020



Solution & Recommendations

• **Inclusionary Zoning:** Inclusionary zoning is a land-use strategy instrument that turns out blended revenue lodging where none exists. While subsidizing is one piece of the condition, we need a conveyance instrument. Also, that instrument is guideline. Alongside a menu of promptly accessible government and magnanimous financing openings, inclusionary zoning is an approach to tackle our affordable-housing issue.

• With the inclusionary zoning approach, affordable housing turns into a rule rather than exception in each improvement endorsement, from skyscraper towers in the center to rural regions.

• **Increased Density:** Developers seeking increased density will be needed to enter a local area benefits understanding wherein 10% of that density is made accessible for affordable housing, given that administration and other subsidizing accomplices are at the table.

• Subject to community consultation, the contribution made to the increased density and the funding from the government, would empower the formation of a reasonable part estimated at 80% of average market rents. Extra funding from the charitable sector would allow essentially lower rents.

• Surplus public lands are public resources and should be utilized to make steady and affordable housing for our most weak residents, beginning at lease outfitted to pay, as far as possible up to 80 percent of market rates.

• However, the time has come to be strong and push limits with our public resources, to expand both the quantity of reasonable homes and the depth of affordability.

"Create Affordable Housing Trusts"



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