



# Housing Affordability in Calgary

## Report

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### Abstract

Housing affordability can be considered across the full housing continuum. With policy commitments generally aimed at non-market housing affordability, progression of market affordable housing in Calgary is an important area to discuss.

In this paper, we focus primarily on the market rate housing aspect of the housing continuum, analyzing affordable housing outside of government subsidy. While there is no comprehensive market housing needs assessment in Calgary, the information presented in this paper depicts an overall picture of Calgary's standing and government policies.

This paper aims to provide a more holistic understanding of market housing affordability by:

- Defining the term market housing affordability
- Showcasing the multiple positive benefits associated with market affordable housing
- Benchmarking Calgary's affordability
- Highlighting the current market housing condition in Calgary
- Outlining the legislative and policy tools being incorporated by The City of Calgary
- Proposing initiatives to further a thriving Calgary housing market

## Introduction

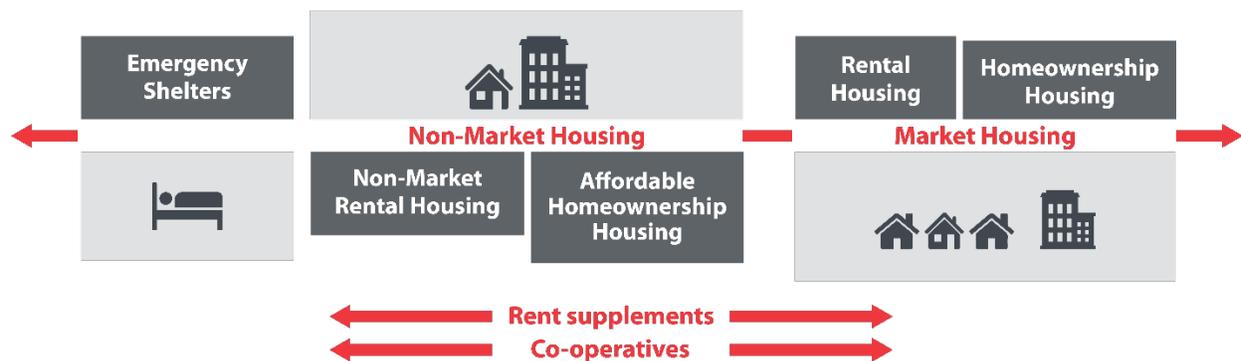
Cities are increasingly identifying housing as a key goal for strategic planning and are setting targets to create new housing opportunities across the full housing continuum. Generally, housing affordability supports a diverse workforce, improves communities and enhances a city's competitiveness. Like many other municipalities in Canada, housing in Calgary is also affected by changes in market forces, demographic shifts, economic challenges and changing family lifestyles.

### Defining Affordable Housing

Affordable housing is a term used to describe a range of non-market and market housing types known as the affordable housing continuum, which encompasses the various ways to take shelter. This continuum ranges from emergency shelters to transitional and supportive housing, to the point that individuals are sheltered in homes that reflect market prices. It includes both rental and ownership properties, giving people at all income levels access to safe and stable housing.<sup>1</sup>

As described by The City of Calgary, the traditional affordable housing continuum in Canada is shown in Figure 1 below:<sup>2</sup>

**Figure 1** – Calgary Housing Continuum



**Source:** Learning About Affordable Housing, The City of Calgary

**“Calgary has great potential to create and cultivate partnerships between organizations and the private sector that might lead to even more successful developments in market housing.”**

<sup>1</sup> The City of Calgary - Learning about Affordable Housing: <http://www.calgary.ca/CS/OLSH/Pages/Affordable-housing/Learning-about-Affordable-Housing.aspx>

<sup>2</sup> The City of Calgary - Housing in Calgary: An Inventory of Housing Supply, 2015/2016

Over the past 25 years, responsibility for housing in Canada has been transferred from the federal government to the provinces, and ultimately to municipalities. As defined by the Canada Mortgage and Housing Corporation (CMHC), in Canada housing is considered affordable if shelter costs account for less than 30 per cent of a household's disposable income to obtain adequate and appropriate housing.

The term affordable housing is often used interchangeably with social housing. Social housing is just one category of affordable housing that is subsidized by the government in some way. Affordable housing is a broader term including a range of housing types and tenures and encompassing temporary as well as permanent housing.

### **Market vs. Non-Market Housing**

In Calgary, as in other Canadian cities, the private market plays a primary role in housing provision. Around 78 per cent of Calgary's household housing needs are met by the private market.<sup>3</sup> Market housing is non-subsidy housing and refers to private sector properties that are:

- Rented
- Owned by people who paid market value when they bought the property

This is distinct from non-market housing, which is below-market rate and is subsidized.<sup>4</sup> Any housing option, whether rented or owned, that costs less than 30 per cent of a household's before-tax income is considered affordable housing.

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<sup>3</sup> City of Calgary. Calgary Affordable Housing Needs Assessment. 2015.

<sup>4</sup> Source: <http://homebaseforhousing.org/housing-education/housing-type-definitions/>

## Importance of Market-Based Affordable Housing

The household sector has the power to influence the overall economy. While most benefits of housing affordability are obvious, the ripple effects of these benefits go beyond the scope of housing. Greater housing affordability increases buying power of households in terms of food, clothing, healthcare and transportation and local businesses also gain from it. Research has shown that the stability of an affordable mortgage or rent can have profound effects on not only economic security, but mental, physical and academic wellbeing for families and individuals. Some of the benefits of housing affordability are outlined below.

### Economic Impact

Housing not only positively impacts the economy by providing shelter to the workforce, but also creates one-time and ongoing job creation and spending. According to the Canadian Home Builders' Association (CHBA) study *Calgary 2017 Economic Impacts of Residential Construction*,<sup>5</sup> the residential construction industry created:

- 46,935 on-site and off-site jobs in new home construction, renovation and repair
- \$3.2 billion in wages
- \$7.2 billion in investment value

### Impact on Equity

Affordable housing prices create increased disposable income for households. As a consequence, households will generally be more confident about spending in the market and borrowing on credit cards. Greater housing affordability also lowers income inequality by providing housing opportunities for low and moderate income households.

### Health and Wellbeing

Housing affordability is associated with health benefits that include reduced problems with self-care and reduced anxiety and depression. Higher satisfaction with housing is also associated with higher life satisfaction for households.

### Community Cohesion

Affordable housing creates healthy and stable neighborhoods that promote economic and social integration. This integration results in benefits in terms of community cohesion. Research<sup>6</sup> shows that housing affordability leads to adult socializing and child development, as well as increased perception of safety.

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<sup>5</sup> Calgary 2017 Economic Impacts of Residential Construction: New Home Building, Renovation and Repair, Canadian Home Builders' Association: <http://www.chba.ca/CHBADocs/CHBA/HousingCanada/Information-Statistics/Impacts/3%20Calgary%20Total%20Residential%20Construction%20and%20Renovations%202017.pdf>

<sup>6</sup> SHARP - longitudinal study of the health and wellbeing impacts of moving into new, general purpose, social housing provided by Registered Social Landlords across Scotland: <https://scvo.org.uk/policy-research/evidence-library/2006-the-effects-of-social-housing-on-health-and-wellbeing>

## Benchmarking Calgary's Affordability

The gap between income growth and increases in housing prices is a trivial aspect of the argument for house prices that are supported by underlying economic fundamentals. The RBC Affordability Measure looks at the portion of median pre-tax household income it takes to cover the cost of mortgage payments, property taxes and utilities.<sup>7</sup>

When conducting an inter-city comparison between actual incomes and house prices, Calgary's market is where incomes and the housing market have been relatively in sync, as compared to Toronto, Vancouver and Montreal. Figure 2 below shows the affordability measure of Calgary compared to other jurisdictions in Canada. In Calgary, the affordability measure currently sits at 43.9 per cent compared to Canada's aggregate housing affordability of 53.9 per cent.<sup>8</sup>

**Figure 2 – Aggregate RBC Housing Affordability Measure**

Aggregate of all categories							
Market	Price			RBC Housing Affordability Measure			
	Q2 2018 (\$)	Q/Q % ch.	Y/Y % ch.	Q2 2018 (%)	Q/Q Ppt. ch.	Y/Y Ppt. ch.	Avg. since '85 (%)
<b>Canada</b>	566,600	1.4	2.4	<b>53.9</b>	1.1	2.6	42.0
<b>Victoria</b>	802,100	2.4	8.1	<b>65.0</b>	2.4	6.9	44.8
<b>Vancouver area</b>	1,149,600	0.4	6.1	<b>88.4</b>	1.6	8.2	59.6
<b>Calgary</b>	511,600	1.4	2.0	<b>43.9</b>	1.1	2.4	41.0
<b>Edmonton</b>	409,000	0.6	0.7	<b>28.4</b>	0.5	1.2	34.1
<b>Saskatoon</b>	367,600	0.1	-0.4	<b>34.0</b>	0.5	1.5	33.1
<b>Regina</b>	328,900	0.5	0.4	<b>30.5</b>	0.5	1.5	28.1
<b>Winnipeg</b>	308,000	1.9	1.6	<b>30.5</b>	0.6	1.2	29.2
<b>Toronto area</b>	861,300	1.7	-2.2	<b>75.9</b>	1.8	0.4	50.1
<b>Ottawa</b>	432,700	1.4	5.0	<b>38.6</b>	0.7	2.1	36.4
<b>Montreal area</b>	406,600	1.2	5.1	<b>44.1</b>	0.7	2.4	38.6
<b>Quebec City</b>	296,400	0.8	1.5	<b>33.1</b>	0.4	0.8	30.7
<b>Saint John</b>	213,100	1.2	0.7	<b>26.8</b>	0.4	0.5	26.6
<b>Halifax</b>	322,200	1.3	1.2	<b>33.4</b>	0.7	1.9	33.2
<b>St. John's</b>	310,700	-0.6	0.9	<b>26.9</b>	-0.1	1.4	27.4

**Source:** RBC Housing Affordability Report, September 2018

In recent years, and in some jurisdictions more than others, housing prices in Canada have increased at rates far exceeding income increases. However, Calgary is one city where the economics of middle-class home buying are still friendly. Calgary's low interest rates and new housing construction help to justify these housing prices.

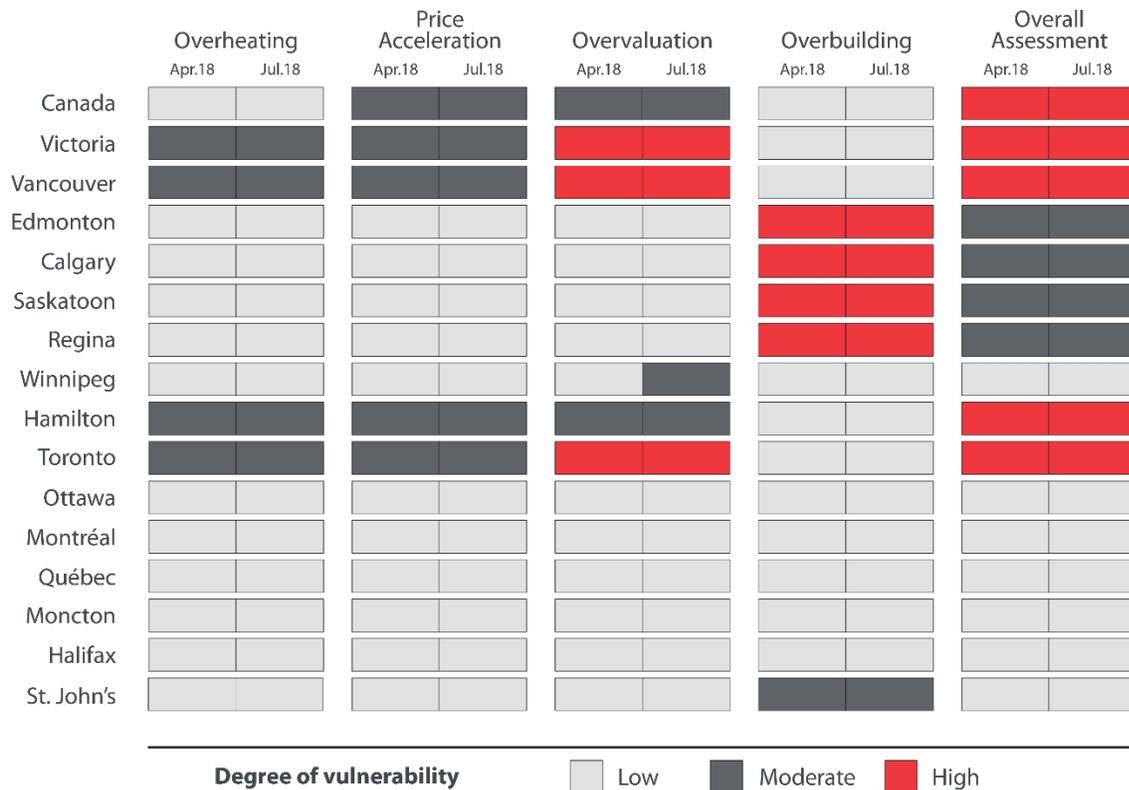
<sup>7</sup> Based on an aggregate average of market prices for detached houses, condos and other types of homes.

<sup>8</sup> RBC Housing Trends and Affordability Report, September 2018: [http://www.rbc.com/newsroom/\\_assets-custom/pdf/house-sep2018.pdf](http://www.rbc.com/newsroom/_assets-custom/pdf/house-sep2018.pdf)

As illustrated in Figure 3, the Canada Mortgage and Housing Corporation’s (CMHC) *Q1 2018 Housing Market Assessment* compares vulnerability ratings for Canadian cities in the following categories: overheating, price acceleration, overvaluation, overbuilding and an overall assessment.

**Figure 3 – CMHC Overall Housing Market Assessment Canada**

**Comparison between the April 2018 and July 2018 reports**



**Source:** *Canada Mortgage and Housing Corporation Housing Market Assessment Q3 2018*

While Canada exhibits a high degree of vulnerability overall, Calgary is one of four markets to earn a moderate degree of vulnerability.<sup>9</sup> By category, Calgary displays low degrees of vulnerability for overheating, price acceleration and overvaluation, but a high degree of vulnerability in overbuilding, with an overall assessment of moderate vulnerability.<sup>10</sup> High vulnerability for overbuilding is calculated using two factors, apartment rental vacancy rates and inventory, where inventory includes both single-family and multi-family homes.

<sup>9</sup> The other three markets were Edmonton, Saskatoon and Regina.

<sup>10</sup> Canada Mortgage and Housing Corporation’s Housing Market Assessment Q1 2018: <https://www.cmhc-schl.gc.ca/en/data-and-research/publications-and-reports/housing-market-assessment>

With the Calgary economy improving and the housing market in Calgary still recovering from the recent economic downturn, this overbuilding is not alarming in a buyer's market. It is safe to say that the economy is moving closer to balanced.

## Current Market Housing Condition

Calgary's unique market housing affordability conditions relate to its diverse population and simultaneously overlapping and diverging housing requirements. Census data indicates that the population of the Calgary census metropolitan area (CMA) grew by 14.6 per cent in the 2011 to 2016<sup>11</sup> census period, making Calgary one of the fastest growing cities in Alberta. Calgary's population growth has been driven by international and interprovincial migration. Additionally, a high proportion of young people contributes to a busy student housing rental market.<sup>12</sup> Demand for smaller, single family homes stems from affordability and sustainability requirements of households looking to settle down. To cater to growing rental and home ownership housing demand, the number of rental units and housing inventory have grown along with Calgary's population.<sup>13</sup>

### Rental Demand

In recent years, Calgary has seen growth in employment<sup>14</sup> and positive international migration contributing to a rise in rental demand. The growth in jobs is concentrated on the services-producing industries where average incomes are lower compared to goods-producing industries. Additionally, as migrants are inclined to rent before purchasing a home, international migration has continued to be an important source of rental demand in Calgary. These trends explain the rise in occupied rental units and increase in purpose-built rental apartments in Calgary.<sup>15</sup>

Statistics Canada Census 2016 data states that 27 per cent of the housing supply in Calgary is rental housing provided by the market<sup>16</sup> which includes:

- Primary rental market: purpose-built apartments and townhouses rentals
- Secondary rental market: privately rented properties
- Seniors rental housing

<sup>11</sup> Statistics Canada. 2017. Population and dwelling counts, for census metropolitan areas, 2016 and 2011 censuses (table). Population and Dwelling Count Highlight Tables. 2016 Census.

<sup>12</sup> Lowest vacancy rate for Bachelor Apartments, [CMHC 2017](#)

<sup>13</sup> Inventory April 2017: 5,518, April 2018: 7,324; 32.73% YoY % Change -<https://www.joesamson.com/blog/calgary-real-estate-market-statistics/>

<sup>14</sup> 3.7% growth in 2017 – Source: Statistics Canada [Table 14-10-0294-02 \(formerly CANSIM 282-0135\)](#)

<sup>15</sup> 2017 – over the last year 1,800 units increase in occupied rental units; 1,937 purpose built unit increase Source: Rental Market Report - [CMHC, Calgary 2017](#)

<sup>16</sup> The City of Calgary - [Housing in Calgary: An Inventory of Housing Supply, 2015/2016](#)

As illustrated in Table 1, Calgary has the lowest proportion of rental households in Canada.

**Table 1: Rental Rates – Major Canadian Cities**

2016 Census	Rental Rates
Montréal	44 per cent
Toronto	34 per cent
Edmonton	30 per cent
Vancouver	36 per cent
Winnipeg	33 per cent
Ottawa–Gatineau	33 per cent
Canada	32 per cent
<b>Calgary</b>	<b>27 per cent</b>

**Source:** *Housing in Canada’s Big Cities, The City of Calgary, May 2018*

**“The rise in rental demand outpaced the elevated number of new purpose-built rental units added to the market, pushing the vacancy rate down.”**

Richard Cho Principal, Market Analysis (Calgary), 2017

The City of Calgary’s *Housing in Calgary: An Inventory of Housing Supply, 2015/2016* report reveals that the majority of all rental market units in Calgary are secondary rental units.<sup>17</sup> As these units are owned by private landlords, the rental property market can fluctuate as rental rates change – these units can be quickly leased or sold in a favorable market.

What is interesting to know is that rents in the lowest rent quintile in Calgary are the highest when compared nationally. Simply put, the cheapest rental rates in Calgary are higher on average than the cheapest rents in other major Canadian cities. This can have serious implications for low-income households trying to make a life in Calgary. The situation is similar in the senior’s housing market, with Calgary rents well above those in other municipalities across Alberta.

### **Calgary – Market Home Ownership**

As illustrated in Table 2, Calgary has the highest home ownership rates of other Canadian cities at 73 per cent in 2016, as compared to the national rate of 68 per cent.<sup>18</sup> The majority of Calgary home ownership is single-family, contributing to a fairly homogenous housing supply.

<sup>17</sup> The City of Calgary - *Housing in Calgary: An Inventory of Housing Supply, 2015/2016*

<sup>18</sup> Market Homeownership. The City of Calgary - *Housing in Calgary: An Inventory of Housing Supply, 2015/2016*

**Table 2: Homeownership Rates – Major Canadian Cities**

2016 Census	Homeownership Rates
Montréal	56 per cent
Toronto	67 per cent
Edmonton	70 per cent
Vancouver	64 per cent
Winnipeg	67 per cent
Ottawa–Gatineau	67 per cent
Canada	68 per cent
<b>Calgary</b>	<b>73 per cent</b>

**Source:** *Housing in Canada’s Big Cities, The City of Calgary, May 2018*

Since the 2015 economic downturn, housing prices in Calgary have softened. Calgary’s unemployment rate is still an average of 8.2 per cent as of September 2018,<sup>19</sup> but the city continues to see recovery in employment. While the city’s economy has seen growth over the last couple of years, the beginning of 2018 saw revised guidelines for residential mortgage purchases.<sup>20</sup> This includes a new stress test for uninsured mortgages requiring the borrower to qualify at the higher figure between the Bank of Canada’s five-year benchmark rate and two per cent above the contracted mortgage rate. Although Calgary’s housing market remains competitive nationally, recovery from the downturn and these stricter mortgage qualification requirements resulted in adjustments in consumer demand.

The implications of Calgary’s current housing market condition is that while the majority of Calgarians prefer home ownership,<sup>21</sup> many households cannot afford to buy in today’s housing market. To achieve home ownership, home owners may compromise financially or implement creative solutions to pay their mortgage. Some households may overextend their credit by making changes to their debt-to-income ratio, spend less on entertainment and recreational activities, live in shared accommodations or offer rooms to rent.

In general, it’s important to acknowledge that market home ownership is not the preference and best choice for everyone. For many households, renting, co-operative housing and affordable home ownership programs are preferred. Calgary displays a healthy housing market with diversity of housing forms, tenures and options. Continued collaboration between The City of Calgary and the home building industry would contribute to increased affordability for market-based housing ownership.

<sup>19</sup> Statistics Canada Labor Force Survey, [Table 14-10-0294-02 \(formerly CANSIM 282-0135\)](#)

<sup>20</sup> From the Office of the Superintendent of Financial Institutions, January

<sup>21</sup> The City of Calgary - [Housing Preferences of Low-Income Calgarians, May 2015](#)

## Municipal Policy Framework

Municipal planning can support housing affordability in a number of ways, and municipalities can take action to ensure they are fostering an environment that facilitates the development of affordable housing. The City of Calgary works in collaboration with the Calgary Housing Company, federal and provincial governments, non-profit agencies and private sector developers to address market and non-market housing affordability needs in a timely manner. The City of Calgary takes a leadership role on several fronts to ensure solutions address the complexity of the affordable housing problem. In Calgary, various housing affordability planning steps are being implemented.

- **Needs Assessment:** The City of Calgary Affordable Housing Division conducted a Calgary Affordable Housing Needs Assessment which comprehensively outlines community needs with respect to future delivery of the number, type and location of affordable housing units by The City of Calgary.
- **Inventory of Housing Supply:** To provide a comprehensive view of Calgary's housing supply, The City of Calgary, in collaboration with Community Housing Affordability Collective (CHAC), prepared a report on the inventory of housing supply in Calgary. This report encompasses a broader understanding of housing supply trends, gaps and implications and specifically the current state of the affordable housing segment in Calgary.
- **Housing Strategy:** To plan ahead and provide strategic direction for affordable housing over the long-term, The City of Calgary released a Corporate Affordable Housing Strategy in 2016, with an implementation plan to address six specific affordable housing objectives over the next 10 years:

- Objective #1 – Get the Calgary community building
- Objective #2 – Leverage city land
- Objective #3 – Design and build new city units
- Objective #4 – Regenerate city-owned properties
- Objective #5 – Strengthen intergovernmental partnerships
- Objective #6 – Improve the housing system

- **Leadership and Governance:** Leadership amongst municipal partners and the promotion of intergovernmental relations is necessary to address housing affordability. The City of Calgary Affordable Housing Strategy aligns with key corporate planning and policy guidelines including [City Council priorities](#), the [Municipal Development Plan \(MDP\)](#) and [imagineCALGARY](#).
- **Implementation Plan:** To set a strategic direction for The City's delivery of affordable housing over the next 10 years, The City of Calgary published an Implementation Plan demonstrating the commitment to addressing housing challenges and aligning it with The City's business plan and budget cycle.
- **Current City of Calgary Affordable Housing Developments:** Ongoing ambitious and innovative approaches are critical to the success of housing programs. Several City-owned affordable housing developments underway or recently completed include [Rosedale](#), [Wildwood](#), [Sunnyside Triangle Site](#), [The Bridges](#), [Kingsland](#), [Bridgeland](#) and [Crescent Heights](#).

## **Calgary Downtown Growth Strategy**

Calgary has vacant and unoccupied commercial spaces in the downtown core. These vacant or underused spaces provide opportunities for redevelopment and revitalization, especially in housing, as they are ideally located near shops and services. A comprehensive growth management strategy for Calgary's downtown can help to remove barriers to downtown housing by providing policy guidance to direct density and residential construction in downtown locations. Additional easing can be achieved through the land use by-laws by relaxing regulations related to development of vacant lots in downtown areas.

## **Other Strategies**

Other strategies that may be employed in encouraging market affordable housing that may be beyond the scope of land use planning or outside of municipal jurisdiction include:

- Rent restrictions and resale price restrictions
- Tax-free market affordable housing
- Below-market land leases
- Alternative ownership and management models
- Shared ownership models
- Community land trusts
- Public-private partnerships
- Other specific strategies to address specialized needs

## Looking Ahead

The private sector is vital to improving the availability of affordable housing in Calgary. An ideal housing strategy not only addresses affordable housing for the growing population but is designed to plan ahead and protect land for affordable alternatives over the long-term. Building strong relationships with the private sector can create opportunities for new and innovative affordable housing models.

The City of Calgary Affordable Housing Strategy has demonstrated a desire to address affordable housing issues and the necessary elements for strong municipal leadership appear to be in place.

The market housing formula in Calgary is robust enough to generate market affordable housing on its own. Looking ahead, there is great potential for increased engagement in affordable housing issues from community organizations and for coordination between levels of government and local organizations to further affordable housing goals. It is useful to consider additional means of encouraging or facilitating the development of more diverse market housing options. Outline below are some initiatives that could further improve Calgary's housing market.

### Encourage Innovation

Give greater flexibility to housing associations both in terms of the tenures that they are able to deliver and the ways in which they are able to evolve their business models.

Government and industry should encourage collaboration and joint ventures between new entrants and existing players in the market and further support innovation in the housing market.

### Effective Planning System

Government must ensure better collaboration and partnerships at a local level to drive further effectiveness in the planning system and make full use of powers in the Housing and Planning Act to explore benefits of introducing competition into the system through pilot schemes.

### Energy Efficient Homes

Government and industry must work together to execute energy efficient home building practices. Details on buying an energy-efficient new home can be found at [Natural Resources Canada](#).

## Summary

While the current economic downturn in Calgary resulted in a slight, temporary decrease in rental prices, it has not reduced market housing prices over the long-term. With Calgary's economic conditions slowly improving, climbing market housing inventory is matching Calgary's population growth.

A municipal government acting alone will likely have difficulty enabling affordable housing. Combined community efforts are also key to ensuring that resources are shared and population specific needs are met. Leveraging the considerable expertise and knowledge in the community will also help increase The City of Calgary's capacity to address housing issues in a productive way. Below are some organizations that currently work as a collective engine for improving housing affordability in Calgary throughout the housing continuum.

### Affordable housing programs and services information | City of Calgary

#### Attainable Homes Calgary

A non-profit Calgary corporation that makes home ownership achievable for moderate-income Calgarians that are caught in the city's growing housing gap. Since 2011, they have served over 700 new homeowners to move into attainable homes.

#### Community Housing Affordability Collective

The Community Housing Affordability Collective (CHAC) is a network of individuals and organizations that recognize a need to improve housing affordability in Calgary through collaboration and advocacy. They are a network of organizations that make housing more affordable for Calgarians, guided by a steering committee and a high level action plan.

#### Calgary Housing Company

Calgary Housing Company undertakes housing services as a provincial management body under the Alberta Housing Act. With a building management strategy that uses a mixed income model, they provide safe and affordable housing solutions for almost 25,000 low and moderate income Calgarians in need of non-market rental housing.

#### Horizon Housing Society

A not-for-profit organization providing affordable, integrated and supported homes to over 700 individuals in the city of Calgary. The Society serves tenants with a variety of special needs including individuals living with mental health challenges, physical disabilities, families and seniors living below the poverty line and the working poor.

#### Habitat for Humanity

Habitat for Humanity allows homeowners to build their own homes alongside experienced staff and volunteers, and purchase their homes with a no down-payment, no-interest mortgage, giving them financial stability to build better futures. Their monthly mortgage payments are used to build more homes for more families.

## **Additional Resource**

**The Calgary Affordable Housing Guide 2018** – published by The City of Calgary, the Calgary Affordable Housing Guide is intended for Calgarians in all categories of the housing continuum. This includes a detailed list of emergency shelters, short-term rental housing, long-term rental housing and affordable homeownership in Calgary.