Niagara Region Housing Affordability and Growth Plan 2051

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CANADIAN CENTRE FOR ECONOMIC ANALYSIS

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About the Report

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1.0 INTRODUCTION

1.1 BACKGROUND

In 2019, the Canadian Centre for Economic Analysis examined the trends, current state and forecasts for housing for the Niagara Region up to 2041[1]. In August 2020, the Ontario Government released updated population and employment targets for the Greater Golden Horseshoe in *A Place to Grow Growth Plan for the Greater Golden Horseshoe (*the *Growth Plan)* up to 2051. The *Growth Plan* outlines obligations for upper- and single-tier municipalities, which must plan for housing to meet population targets, as well as meet intensification and density targets. Furthermore, per the *Growth Plan*, an adequate mix of housing options much be ensured, and municipalities must set targets for affordable housing.

1.2 OBJECTIVES

As a follow up to the *Niagara Region Housing Market Analysis* and *Growth Scenario Analysis, 2018-2041*, this study examines Niagara Region's future housing stock up to the year 2051 under different scenarios. These scenarios are designed to present the implications of pursuing differing growth trends over the coming three decades for the population, housing stock and local economic development.

Growth scenarios are used to project the characteristics of Niagara Region's population and housing stock up to a defined planning horizon under different construction rates, including a baseline that represents the Region's status quo growth to determine the risks, benefits and potential pressures the Region could face under alternative growth paths. The results are intended to support evidence-based policy-making that considers the consequences of these different paths.

1.3 SUMMARY OF RESULTS

The trends identified in *Niagara Region Housing Market Analysis* and *Growth Scenario Analysis, 2018-2041*, are expected to continue under the new *Growth Plan* to 2051. Meeting core housing need will continue to be an issue. To meet the growth targets, the rate of construction of new units would have to increase significantly, particularly for higher-density building forms. By 2051, the status quo rate of construction could result in just over 24,000 fewer households in the region than required in the *Growth Plan*. In that case, the Region risks not only falling short of the 2051 population targets set out by the Provincial government, but also increasing the percentage of the population in core housing need.

To reach the population growth targets to 2051 in the *Growth Plan* and to minimize overall levels of core housing need, Niagara Region can continue to consider adopting policies that incentivize the development of a mix of housing to accommodate the future population. This could include a variety of housing densities, tenures and affordability levels, as well as right-sizing and maximizing the

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[1] Niagara Region Housing Market Analysis, CANCEA. June, 2019; Niagara Region Growth Scenario Analysis *2018-2041*, CANCEA. October 2019

the productivity of Niagara Region's existing housing stock. By providing a wider range of options to households, a more diversified housing stock can help mitigate some of the demographic trends identified in this report and the previous report, and make it easier for people of all ages and income levels to live in the Niagara Region.

2.0 METHODOLOGY

2.1 OVERVIEW

The analysis was completed using CANCEA's statistical analysis and data simulation platform. The new population targets, along with life expectancies and birth rates, were used to determine the number of households under different conditions and over time, and the dwelling sizes that would be required. Information about the current housing stock, the way in which the current population is housed (i.e. affordability, suitability, and adequacy), and dwelling formation rates (both market and non-market) are used to assess the supply of housing over time and the corresponding population housed in a given scenario.

This study draws primarily from Statistics Canada census datasets and CMHC tables. Additional data was provided by Niagara Region, including population targets and community housing data.

The growth scenarios considered were created by relying on CMHC construction completion rates at the municipal level. The three growth scenarios are as follows:

- Status Quo Growth: maintains the average construction rates seen in Niagara Region over the last five years.
- Slow Growth: the average construction rate over the last five years less two standard deviations, with a minimum threshold equal to half the average.
- Target Growth: the growth required to achieve the number of dwellings needed to house the 2051 population targets set out by the Provincial government in *the Growth Plan*.

For a complete description of the methodology, please refer to the 2019 reports.

2.2 UPDATED DATA

While the same analysis was completed as in the earlier report, it was updated with the most recent data available. In addition to the *Growth Plan* 2051 population and household targets, updated data included:

- Population, birth, death, and migration rates
- Household numbers,
- Employment rates,
- Community housing stock;
- Average market rents;
- Average market housing sales data; and
- Housing starts and completions.

3.0 GROWTH SCENARIO ANALYSIS

3.1 CURRENT HOUSING STOCK

Niagara Region's current housing stock consists primarily of low-density dwelling types like single-detached and semi-detached homes. Table 1 below provides a breakdown of the estimated housing stock in the region by dwelling type based on census data and CMHC completions. Single-detached homes are by far the most common dwelling type, followed by low-rise apartments and row houses.

Table 1   Estimated Housing Stock by Dwelling Type, 2021

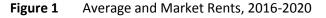| Dwelling Type	Number of Dwellings	Percentage of Total Stock
Single-detached	138,900	68%
Semi-detached	10,600	5%
Duplex Apartment	6,600	3%
Row house	14,900	7%
Apartment 5 stories or less	21,800	11%
Apartment over 5 stories	10,600	5%
Other	540	0%
Total	**203,000**	**100%**

As an update to CANCEA's previous analysis of the Region's housing market, recent market prices for homes and recent market rents are shown below. Table 2 shows the average market price for newly built and newly sold homes from 2016 to 2020. Prices have increased 42% in this time, including a 6% increase in 2020. CMHC average rents and average market rents are shown in Figure 1. As a result of Ontario's rent control system, which combines rent increase limits for sitting tenants and vacancy decontrol, average rents are considerably less than market rents that must be paid by households looking for a new home. For example, average rent paid for a one bedroom apartment was just over $900 in 2019, whereas average market rent for a one bedroom was $1200 that year. Both rents and house prices are increasing at rates considerably greater than wages resulting in increased affordability pressures across the region.
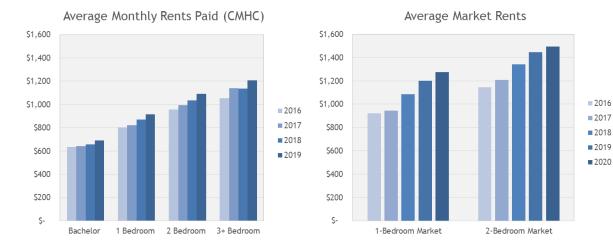
Table 2   Recent Market Average Home Prices, 2016-2020

Year	All Dwelling Types	Change from previous year	Change from 2016
2016	$333,030	—	—
2017	$403,099	21%	21%
2018	$405,063	0.5%	22%
2019	$444,571	10%	33%
2020	$473,045	6.4%	42%

Figure 1   Average and Market Rents, 2016-2020

An update to the community housing stock is shown in Table 3. The 8,510 units of community housing (as of December 31, 2019) represents an increase of more than 100 units from the data included in our previous report. The most common type of community housing is not-for-profit/co-op buildings, and senior housing makes up a third of all community housing units. This housing stock is concentrated largely in St. Catharines (3,804 units), Niagara Falls (2091 units), and Welland (1,180 units), which together account for over 83% of community housing.

Table 3   Community Housing, December 2019

Mandate	NFP / Co-op	NRH Owned	Rent Supplement	New Development	Total
Family	2,158	888	0	20	**3,066**
Senior	918	1,642	0	315	**2,875**
None	371	0	1,433	0	**1,804**
Adult	0	154	0	356	**510**
Aboriginal	128	0	0	0	**128**
Alternative	84	0	0	43	**127**
Total	**3,659**	**2,684**	**1,433**	**734**	**8,510**

3.2 GROWTH SCENARIOS

The growth scenario analysis conducted allows one to understand the implications of different rates of housing construction for Niagara Region. Three different forward looking scenarios were analyzed:
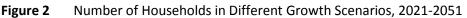
1. Status Quo Growth: maintaining current construction rates, or the average construction rates seen in Niagara Region over the last five years.
2. Slow Growth: growing at a slower pace, or the average construction rate over the last five years less two standard deviations, with a minimum threshold equal to half the average.
3. Target Growth: increasing the pace of housing construction to achieve the number of dwellings needed for municipalities set out in the *Growth Plan*.

The population and housing targets for each municipality to year 2051 used in this analysis align with those presented in Niagara Region's Draft Land Needs Assessment.

Accommodating the target population would mean accommodating approximately 91,900 additional households, with the number of households varying slightly for the same target population depending on the average household size by 2051. It is important to note that the housing mix that is constructed can significantly alter the population housed. For example, 1,000 units of 1 bedroom apartments could suitably house at most 2,000 people (but would likely be less in practice.) However, 1,000 units of 3 bedroom row-houses could provide housing for over twice that population.
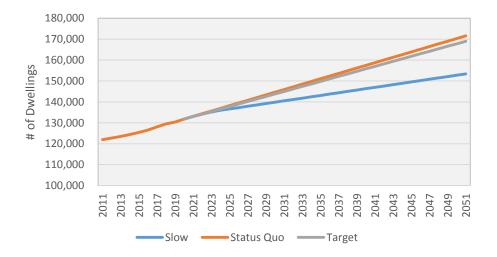
As we can see below, in Figure 2, if the status quo rate of construction is maintained, there will be insufficient dwellings to house the region's target population. By 2051, the status quo growth rate of construction could result in just over 24,000 fewer households in the region than in the target growth scenario. If housing construction rates decrease so as to be in line with the slow growth scenario, this shortfall could reach nearly 53,000 households by 2051. Aside from the ability to adequately house its target population, status quo growth or slow growth could result in increased affordability pressures in the region and the displacement of lower income families.

Figure 2   Number of Households in Different Growth Scenarios, 2021-2051
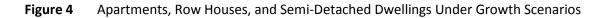
Housing Niagara's target population while also meeting the Regions housing mix targets will require increasing construction rates for higher density housing types, like apartments and row houses. This is can be seen by examining the results of the growth scenario analysis by different dwelling types. Maintaining current construction rates would not only result in the region falling short of its growth targets, but would also result in an over-supply of single-detached homes, as we can see in Figure 3. Under the status quo scenario, over 2,500 more single-detached dwellings would be completed than in the target growth scenario in which the target population is housed and the Region's housing mix targets achieved.

Figure 3   Single-Detached Dwellings Under Growth Scenarios

Meanwhile, the status quo growth scenario would result in an under-supply of row houses, semi-detached homes, and, most significantly, apartments, relative to the growth plan targets. Figure 4 shows the supply of apartments, row houses, and semi-detached homes in the different growth scenarios. The gap between the target scenario and the status quo scenario is over 18,000 units in the case of apartments, over 4,500 in the case of row houses, and over 3,000 in the case of semi-detached homes, by 2051. As we can see, this gap only widens when the target growth scenario is compared to the slow growth scenario.

Figure 4   Apartments, Row Houses, and Semi-Detached Dwellings Under Growth Scenarios

Apartments

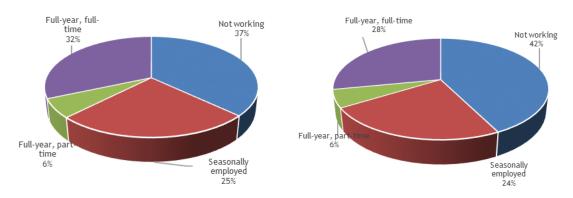## Row Houses

Semi-Detached

The Region will thus need to see both an increase in construction and a shift from single-detached homes to apartments and other dwelling types if it is to achieve its *Growth Plan* targets.
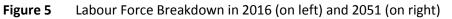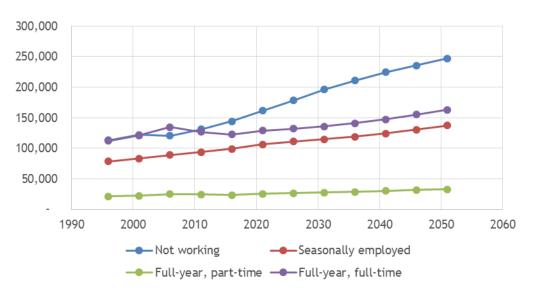
3.2.1   LABOUR FORCE TRENDS

Figure 5 shows the estimated labour force participation resulting from the expected demographic shifts in the region under the *Growth Plan*. Note that these statistics reflect the population residing in Niagara rather than the jobs located in Niagara. While there is considerable overlap with many people both living and working in Niagara, for housing-related issues, it is the resident population that is of interest. If labour force participation patterns and industry mix of employment, with its relatively high concentration of tourism and agricultural industries, remain similar, the fraction of the population not participating in the work force will increase over time, while the reliance on seasonal employment will remain steady. These

trends could continue to exacerbate housing affordability issues, due to lower incomes in these two groups. As we can see below, in Figure 6, by 2051 if the regional industry mix and employment trends continue, there would be around 250,000 people in Niagara Region not participating the labour force and nearly 150,000 employed seasonally. The large number of seasonal employees, with generally lower incomes compared to full-time employees, will continue to create added pressure on housing affordability. This could also negatively impact the ability of employers to find and retain employees.
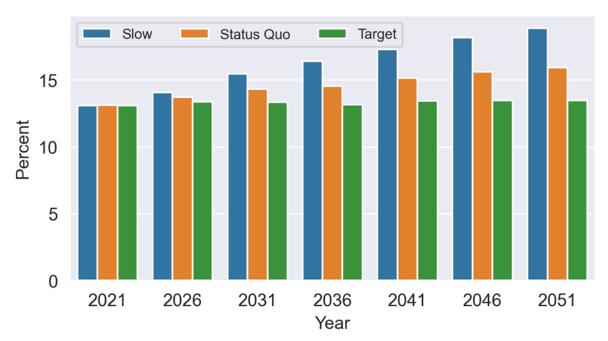
Figure 5   Labour Force Breakdown in 2016 (on left) and 2051 (on right)

Figure 6   Niagara Region Employment Over Time

3.2.2   CORE HOUSING NEED

A household is considered to be in core housing need if its dwelling is too expensive given its budget, if its dwelling does not meet its needs, or is in major state of disrepair and there is no alternative housing that would be within its budget. A dwelling is considered to be within budget if shelter costs are less than 30% of total household income.

Both the slow growth and status quo growth scenarios would result in an increase in the percentage of households in core housing need in the region. As shown in Figure 7, 16% of households could be in core housing need by 2051 if construction rates remain stable, and 19% of households could be in core housing need by 2051 in the slow growth scenario. In the target growth scenario, core housing need would remain at around 13% of households. Thus, by simply meeting target growth, core housing pressures could be maintained, but the percentage of households in core housing need is not expected to decrease without additional housing or supports.

Figure 7   Percentage of Households in Core Housing Need by Growth Scenario

Maintaining the fraction of households in core housing need would mean the number of households in core need will increase as the region's population increases towards its growth targets. Figure 8 shows how the number of families in core housing need may increase over time in the target growth scenario. Shown are the number of households in core need spending 30% to 50% of household income on shelter and households spending more than 50%, sorted by tenure type.
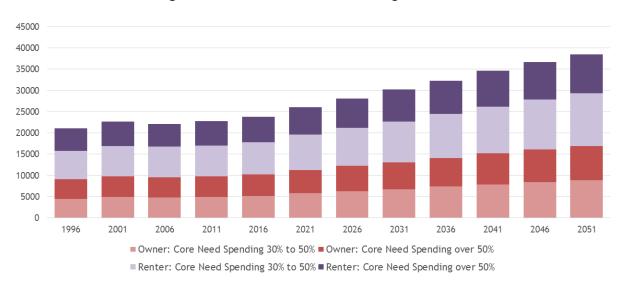
Figure 8   Households in Core Housing Need to 2051

Table 4 shows the percentage of households in core housing need in each growth scenario by 2051, broken down by income bracket. As noted, the status quo growth and slow growth scenarios would result in a larger percentage of households being in core housing need, as compared to the target growth scenario. In the slow growth and status quo growth scenarios, a larger share of households are in core housing need across income brackets. For example, in the target growth scenario, 7% of households in the $50,000 to $59,999 bracket are in core housing need, but this more than doubles to 15% of such households in the slow growth scenario.

Table 4   Percentage of Households in Core Housing Need by Income

Income	Slow Growth	Status Quo Growth	Target Growth
Under $10,000	96%	94%	93%
$10,000 to $19,999	70%	63%	54%
$20,000 to $29,999	44%	35%	27%
$30,000 to $39,999	27%	20%	15%
$40,000 to $49,999	19%	14%	9%
$50,000 to $59,999	15%	10%	7%
All incomes	**19%**	**16%**	**13%**

Lower income households, in particular, are at risk of spending over 30% or 50% of their income on shelter. Across growth scenarios, at least 93% of households with incomes under $10,000 are in core housing need, and at least 54% of households in the $10,000 to $19,999 bracket are in core housing need. While the share of families in core housing need is lowest in the target growth scenario, these families are concentrated in the lower income brackets. Of the approximately 38,700 households in core housing need in the target scenario, over 28,500 of these (or almost three-quarters) have household incomes below $30,000.

3.2.3   AFFORDABLE HOUSING TARGETS

The number of households in deep core housing need (spending more than 50% of their income on shelter) could grow to over 15,000 households by 2051 under the target growth scenario while the total number of households in core need (spending more than 30% of their income on shelter) could increase to 38,000 households (or about 13% of all households.) This in an increase of 12,500 above the 2021 estimates of households in core need. The majority of households in core need are renters in apartments and over 70% of households in deep core need residing in apartments.

The number of households potentially in core housing need provides a natural target for affordable housing in Niagara Region. At a minimum, in order to prevent an increase in the number of households in core need, an additional 12,500 affordable units would be needed over the next 30 years. This corresponds to about 14% of all new dwelling construction. However, in order the actually reduce core housing need, a greater rate of affordable construction is required. To reduce the number of households in core need by 50% compared to the number in 2021, 28% of all new dwellings would need to be affordable. Therefore, it would be reasonable to target at least 25% of new dwellings to be affordable in order to significantly reduce core housing need in Niagara Region.

4.0 CONCLUSIONS

The analysis of the updated growth targets indicates that the conclusions presented in the earlier analysis remain relevant under the updated 2051 targets. Maintaining the region's current housing growth rate could result in the region falling short of the updated population targets set out by the provincial government. In addition, the rate at which Niagara Region builds new housing does not only impact the future population the region can accommodate, but also the affordability of housing. If current growth rates are maintained, the percentage of the population in core housing need may increase from around 13% to 16%, by 2051. However, even if sufficient housing is built to house the 2051 population targets, core housing need will remain a considerable challenge.

Achieving its population and housing mix targets will require to continue the shift from a focus on single-detached homes to increased construction of higher density dwellings, including row houses and, particularly, apartments. In doing so, Niagara Region may not only ensure adequate housing to accommodate its target population, but do so in a way that ensures households of varying sizes find dwellings that are more likely able meet their housing needs. However, the ongoing shift to higher-density should not come at the expense of being able to house a wide variety of household type and sizes, or the Region may fall short of its growth targets.