



SHELTER AFFORDABILITY ACROSS CANADA'S PROVINCES

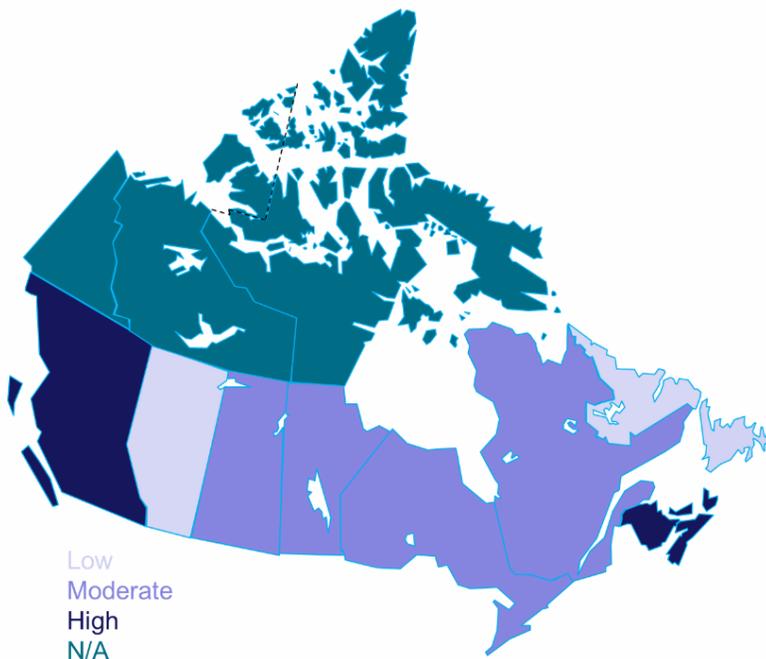
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Housing affordability has grown into a national concern resulting from a number of complex and interconnected factors. Our December 2015 report, *Understanding Shelter Affordability Issues: Towards a Better Policy Framework in Ontario*, introduced the Shelter Consumption Affordability Ratio (SCAR) index, which measures the proportion of income that households devote to their shelter-related needs (including transportation, utilities, and maintenance) after paying for other necessities, such as health care, food, and child care. Unlike other housing affordability indices, SCAR does not measure affordability by simply measuring housing prices or mortgage rates. Rather, SCAR presents a much more realistic representation of what people face every day when trying to put roofs over their heads. A greater SCAR implies more pressures associated with shelter affordability.

Shelter affordability is not uniform across Canada:

Canadian affordability pressures are at an all-time high, with the SCAR registering a steady incline since the mid-2000s. Today, a typical Canadian household spends close to 40 cents of every dollar of income it has left over on shelter after purchasing other necessities.

Affordability pressures relative to the Canadian average SCAR of 38%



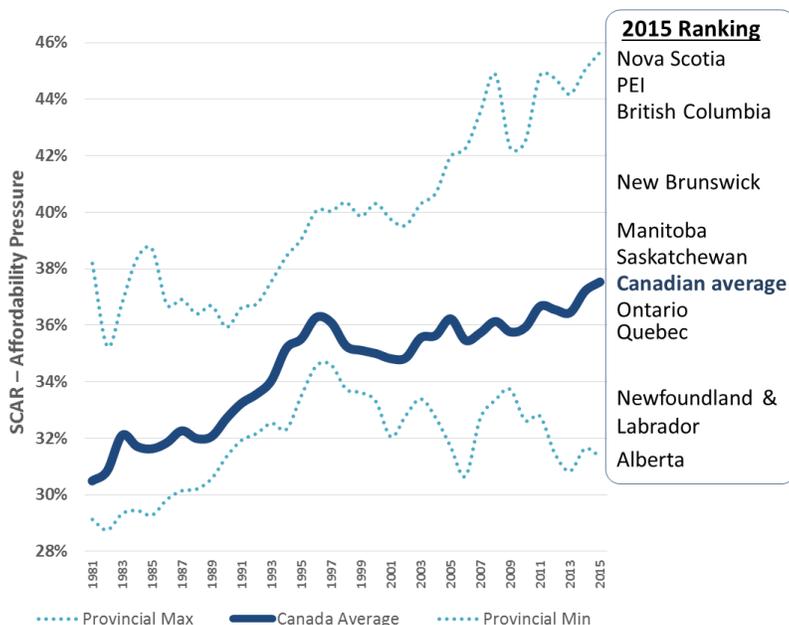
High Relative Affordability Pressures: The average households in Nova Scotia, New Brunswick and Prince Edward Island have even less income left over after paying for other necessities. In Nova Scotia, the SCAR has climbed to a staggering 46%, implying that the typical household there devotes 46 cents of each dollar left over after paying for necessities to shelter costs. British Columbia is the only non-Maritime province whose SCAR index is over 40%.

Moderate Relative Affordability Pressures: Manitoba, Saskatchewan, Ontario, and Quebec are all clustered around the Canadian average SCAR of 38%.

Low Relative Affordability Pressures: Alberta and Newfoundland are the only provinces in Canada that feature a SCAR ratio of 35% or less, implying that shelter affordability is relatively less of a problem *on average* in these provinces than in the rest of Canada.

Trends in affordability pressure vary:

The values of the SCAR index for the various provinces have exhibited different trends over time. For instance, Alberta has had a consistently low SCAR from the early 1980s. Saskatchewan and Newfoundland have had relatively little growth in their respective SCAR values since 2005. New Brunswick and Prince Edward Island, two of the provinces with the highest affordability pressures, have faced rapid increases in their SCAR values since 2000. Ontario, Quebec, and Manitoba have faced steady increases in affordability pressures since the early 1980s, but not at rates as extreme as those seen in British Columbia or Nova Scotia.



Source: Canadian Centre for Economic Analysis

Factors contributing to affordability pressure vary too:

The multiple variables impacting housing affordability as captured by the SCAR imply that there may not be a one-size-fits-all solution for this problem across Canada. In other words, households face very different types of affordability pressures and there is little relationship between the magnitude of the SCAR in a given province and the type of relative factors that contribute to it.

Relative Contributing Factors

Rank	Province	SCAR Imputed/actual (2015)	Rents*	Utilities	Transportation Costs	Costs of other essentials**	Low Income Factors	High Taxes
1	Nova Scotia	46%						
2	Prince Edward Island	44%						
3	British Columbia	43%						
4	New Brunswick	43%						
5	Manitoba	39%						
6	Saskatchewan	38%						
7	Ontario	38%						
8	Quebec	37%						
9	Newfoundland & Labrador	34%						
10	Alberta	31%						

* Imputed or actual rents as proportion of shelter costs – provinces where rent is not a dominant factor does not imply low rents

** Includes: food, clothing, healthcare, and child care

Conclusions

The SCAR offers a glimpse into the relative dominance of factors that contribute to shelter affordability pressures across Canada and can set the groundwork for future thinking through the appreciation of local needs. In order to reduce the SCAR in any given province, care must be taken to apply evidence thoughtfully. With the notable exception of transportation costs, which are a driving force of affordability pressure in most provinces, single-issue approaches are unlikely to benefit the many Canadian households facing significant pressure to make ends meet.

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