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**Canadian Housing and
Renewal Association**
A Home for the Housing Sector



**Housing
Partnership
Canada**

The Impact of Community Housing on Productivity



Policy Brief

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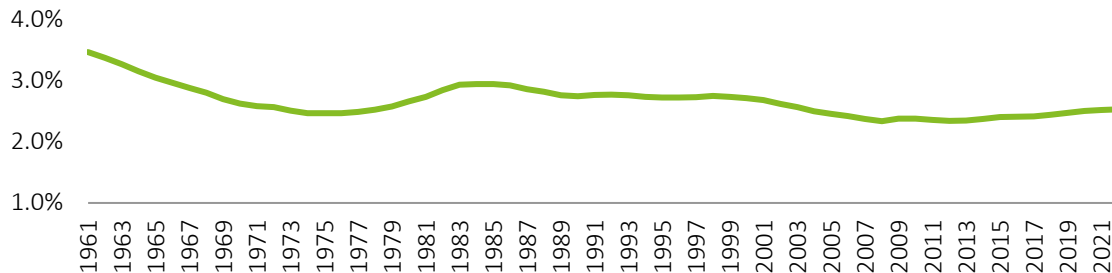
Executive Summary

The Current State

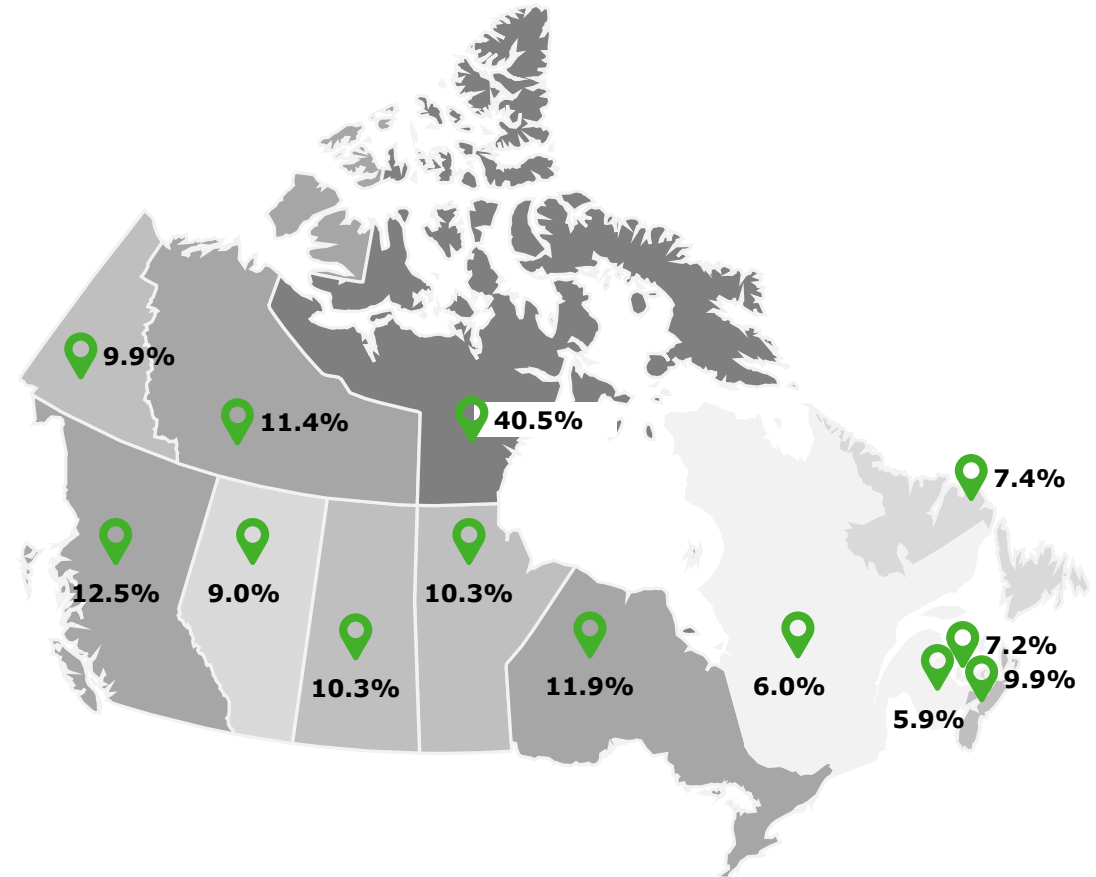
Housing affordability has deteriorated over the past two decades in Canada with the housing affordability index now at its lowest point since the third quarter of 1990. Further, approximately 2.6 million Canadians are in core housing need, with experiences varying across provinces and territories. Several factors including a reduction in the share of our housing that is devoted to community housing (as seen on the graph below) have contributed to the scale of the current challenge. Irrespective of the root causes, it has become increasingly evident that something needs to be done to address the housing affordability crisis.

In addition to a housing crisis, Canada's economy also faces a productivity problem. Our labour productivity growth lags our international peers and has continued to decline in the post-pandemic period. To improve economic performance without further igniting inflationary pressures, Canada needs to find ways to boost its potential output. Boosting our economic growth potential depends on boosting the number of people working, increasing investment and/or increasing productivity. Out of the three ways to boost our potential output, productivity gains are the most desirable as increasing productivity is how we improve our standard of living.

Community Housing Net Stock as a Share of Total Housing Stock, Dollar Value , 1961 - 2022



Share of Households in Core Housing Need, %



Source: Statistics Canada, 2022 (provinces); Statistics Canada, 2023 (territories)

Executive Summary

Community Housing and Productivity



We identified a connection between community housing and productivity by conducting a literature review, using a growth accounting framework, and running a regression analysis. Both the literature review and our growth accounting framework supports a relationship between community housing and productivity. The regression results confirms a causal relationship.

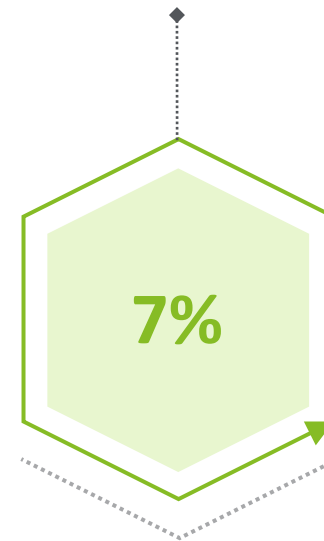


The relationship between productivity and community housing is not only statistically significant, but also substantial in magnitude and robust in multiple approaches and specifications. Our analysis shows that to increase the share of community housing units from its current level to the OECD average of 7% by 2030 will require adding 371,600 community housing units. A larger share of community housing stock will improve our productivity and boost GDP by \$110 billion to \$179 billion in 2030. Considering the opportunity cost of shifting new housing construction from more expensive private dwelling to community housing units, the additional units of community housing would contribute between \$67 to \$136 billion to GDP by 2030. If housing construction does not shift to community housing as outlined in this scenario, these gains will not be realized.

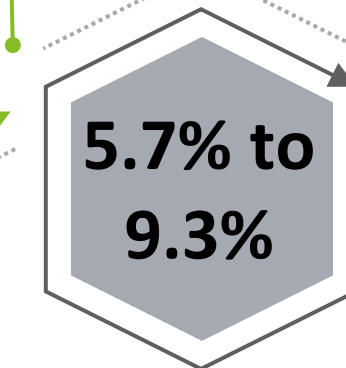


In our research, we have established that investments in community housing are important given that they boost our productivity and that in turn, means that these investments boost our economy's potential output growth. The research, therefore, supports a stable increase in community housing investment with dedicated funding for Northern, rural and off-reserve Indigenous communities.

2030 Community Housing as a Share of Total Housing Units



Impact to Economy



Impact to Productivity

Policy Recommendations

- 1 Increase investment in community housing to boost Canada's GDP.** Our research shows that nearly one quarter of all homes built over the next seven years will have to be community housing if we are to hit the OECD average. Increasing the proportion of Canada's community housing stock by 1.5 percentage points would boost GDP by \$67 to 136 billion: a significant and tangible impact to the Canadian economy.
- 2 Generate a stable pipeline of community housing projects.** Creating housing takes time, making consistent funding, financing, and tax incentives necessary to build a stable pipeline of development projects. Public policy gaps lead to delays in construction that move Canada further away from restoring housing affordability. Generating a stable pipeline of community housing projects requires funding, financing, and tax incentives to build new homes, and equip community housing providers with the resources to renew or acquire existing units.
- 3 Provide dedicated funding for off-reserve Indigenous communities.** Canada's Indigenous communities face some of the highest core housing need in the country. The unique challenges identified in this research will require differentiated and culturally appropriate solutions complete with dedicated funding to address the housing crisis in these communities.
- 4 Improve collaboration on tackling the housing crisis.** Investments in community housing can address two of the biggest challenges facing Canada right now: affordability and weak productivity. That said, the scale of the challenge urgently requires improved coordination and alignment between different levels of government, industry stakeholders, and advocates. This includes shared targets for builds, labour strategies related to housing, and leveraging underutilized land to build new units.
- 5 Promote innovation to tackle supply challenges.** Policy measures should be put in place to support the scale up and market penetration of innovative approaches to building housing more quickly, sustainably, and affordably. By reducing the per-unit cost of building housing, we could go further than our results suggest – which are based on constant real costs per unit – and more quickly tackle the supply gap. These approaches can include novel construction technologies, pre-approved housing designs, and use of underutilized spaces.



Disclaimers

This report has been provided to the Canadian Housing Renewable Association to describe the relationship between housing affordability and productivity.

The nature of commercial diligence, market review and market analysis differs significantly from accounting and taxation due diligence because of the potential limitations in the nature of the data gathering that can be possible, particularly resulting from the need to rely on representations from management and others and potentially on oral comments from third parties. This combined with the absence of independent verification of the information supplied in respect of both historical and projected information in some cases can limit potential findings. It is likely that there will be restrictions or limitations in the resulting data that could impact the accuracy of our report, and we will therefore indicate in our report the source of the data that was obtained by us and disclaim any responsibility for its accuracy.

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Observations are made on the basis of economic, industrial, competitive and general business conditions prevailing as at the date hereof. In the analyses, we have made assumptions with respect to the industry performance, general business, and economic conditions and other matters, many of which are beyond our control, including government and industry regulation.

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