

THE AFFORDABILITY GAP – IDEA STARTERS

FINANCIAL MOBILITY

RETHINKING ACCESS TO CAPITAL AND CREDIT

THE CONTEXT

Supply is often cited as the solution to our affordable housing crisis, but it's only one part of the housing equation. There are so many more variables impacting affordability including economic uncertainty, high borrowing costs, inflation, the growing cost of living, and the concentration of inter-generational wealth. These challenges are broad and complex, requiring us to collectively rethink systems and processes for both public and market-driven solutions.

How can we rethink economic pathways and financial systems to increase housing choices for more people in the GTHA?

WHY IT MATTERS

An inclusive economy provides more opportunities for more people, especially those facing the greatest barriers to advancing their well-being. Yet the reality of our economy often seems the opposite. In today's world, fewer can actively participate in the economy or have a say over their future. With inequality continuing to grow, fewer have a solid economic foundation to start from or access to our economic systems. And – despite housing being a basic human right in Canada – fewer can even get their foot in the door in today's housing market. Safe, secure, accessible housing also directly contributes to gaining employment, food security, access to social services, education, recreation, and health care.ⁱ Considering new approaches to ownership, equity, credit, and more can have ripple effects for generations to come.

WHAT WE KNOW

Housing is a significant proportion of an individual's monthly costs.

- In 2023, about one-third of Canadians pay rent and that bill likely represents their largest expense.ⁱⁱ In Ontario, 35% of households spend over 50% of their income on rent and utilities.ⁱⁱⁱ
- In a recent study, 74% of millennials living in Toronto said that owning a home is important to them – but only 22% said they think they'll ever be able to afford purchasing a property in the city. Nearly 40% of Toronto millennials surveyed said they believe they will need to relocate to ever become homeowners.^{iv}

After a decade of rising house prices, more people in the GTA are turning to renting.

- The proportion of Toronto region households who own their home decreased to about 65% in 2021, down 3.2% from its peak in 2011. However, renter households jumped by about 25% from 2011 to 2021. This was especially evident among millennials (defined as those aged 25 to 40 in 2021 in the census).^v
- The average rent in Canada is at an all-time high average of \$2,024 every month. Toronto has the second-highest rents – a 2-bedroom apartment will cost an average of \$3,347 per month.^{vi}

Accessing credit – a core part of purchasing or renting homes – is increasingly difficult for many.

- According to Equifax, more than 3 million people in Canada aged 18+ are “credit invisible.” Those with limited credit history, or 2 or less credit accounts on their file are considered to have “thin” credit. This means it is more difficult for them to access credit, housing, and may pay higher interest rates.^{vii}
- Despite a perception that new-to-credit consumers struggle to build their credit ratings, those early in their credit journeys – in Canada and across the globe – generally perform as well or better than borrowers with established credit and similar risk scores.^{viii}

To address long-standing barriers created by zoning, various communities have piloted or approved new and innovative approaches to help address affordability.

- In 2021, the City of Hamilton changed its bylaws to allow for the construction of secondary or additional dwelling units that are internal to the main dwelling (such as a basement apartment) or a self-contained dwelling separate from the main dwelling on a lot. The City of Toronto introduced new bylaws to ease the way for the construction of secondary structures like garden suites and laneway houses in 2019.^{ix}

SPOTLIGHTING ACTIONS & SUCCESSES

BORROWELL RENT ADVANTAGE

The first of its kind in the Canadian market, the Rent Advantage program is a partnership between Borrowell and Equifax that allows tenants to report their rent payments on their residence to Equifax Canada without landlord approval, helping to boost several different factors that determine your credit score including payment history (credit payments are the single biggest factor in credit score), demonstrates credit mix, and generally helps build a credit history.

HUSMATES

Launched in December 2021, Husmates is a trust matchmaking and property listing platform matching home buyers interested in co-ownership. Living in co-ownership arrangements provides many benefits, including building equity, sharing expenses, and creating an intentional community or an alternative small-scale retirement household. The platform aims to make co-ownership available to everyone, especially those who don't already have an individual or group to buy with.

PUBLIC/PRIVATE PARTNERSHIPS TO DRIVE SOCIAL IMPACT

In May 2023, the federal government announced a \$400-million social finance fund focused on investment in social purpose organizations. Administered by three investment groups (including Toronto-based Rally Assets), the fund invests across the country and across private asset classes, including private equity, private debt, real assets, and venture capital. Its investment strategy includes established and emerging private impact fund managers, community lenders making a local impact, and direct investments in some social purpose organizations.

NOTE: This document is intended to provide general background and spotlight actions and innovations in the space. It is not intended to be a complete or definitive set of facts about the topic. Wherever possible, sources have been cited. We apologize for any errors or omissions.

REFERENCES

- i. <https://www.healthequitymatters.ca/housing-matters/#:~:text=Having%20a%20safe%2C%20secure%2C%20well.Poor%20nutrition>
- ii. <https://www150.statcan.gc.ca/n1/pub/36-28-0001/2023008/article/00003-eng.htm>
- iii. https://rentalhousingindex.ca/en/#overspending_prov
- iv. *Toronto millennials want to be homeowners but only 22% believe they can do it in the city;* survey, CBC News, 2022.
- v. <https://www150.statcan.gc.ca/n1/daily-quotidien/220921/t008b-eng.htm>
- vi. <https://www.cbc.ca/news/canada/toronto/rental-costs-canada-1.6685602>
- vii. <https://www.globenewswire.com/news-release/2022/09/13/2514754/0/en/Equifax-Canada-and-FrontLobby-Complete-First-Rental-Tradeline-Study.html>
- viii. <https://www.globenewswire.com/en/news-release/2023/01/25/2595163/0/en/New-TransUnion-Study-Finds-Canada-s-New-to-Credit-Consumers-Prove-to-be-Similar-if-Not-Better-Risks-Than-Established-Credit-Users.html>
- ix. <https://www.theglobeandmail.com/real-estate/adv/article-making-living-spaces-in-laneways/>