The Rental Dilemma by Yulia Senyuk

The North American dream of buying a house in the suburbs and living a stable life abundant with small luxuries is now over. Over the last few years, real estate has greatly appreciated in value, gratifying home owners, however, terrifying newcomers and youth as the average salary was not able to provide a decent quality of life. Canada's overflowing population is threatening the equilibrium of the housing and rental market, impacting all Canadian citizens, permanent residents, and immigrants. All must face the bitter reality that most Canadian citizens may never own a home. As a result, many individuals must rent a unit or property as they cannot collect a colossal down payment to qualify for a mortgage or be able to pay their loan back due to skyrocketing interest rates. Therefore, for the coming years there will be demand for rent, however, due to the growing population, the demand for rent is significantly larger than the supply; given the increasing scarcity of housing, rent costs will stay high and unaffordable for the average Canadian in the short term.

Canada is one of the most diverse countries in the world, welcoming, celebrating, and accepting people from all cultures and races. Canada's demographics is metaphorically compared to a "tossed salad" as people originating from many different countries reside in Canada and are mixed together like salad ingredients. Additionally, a salad is not a homogenous mixture indicating that each culture has its own unique qualities and does not lose its individuality. Recently, Canada has decided to extend their hospitality and has been accepting numerous immigrants from all over the world regardless of Canada's lack of ability to receive them. According to Statistica, Canada has welcomed over eight million people with permanent residence, which amounts to over twenty percent of Canada's total population! On average, Canada accepts around five hundred thousand people annually which is one of the highest rates per population in the world. Furthermore, most newcomers come to large cities that are already vastly overpopulated. Due to Canada's harsh climate and topography, a large area remains uninhabited and over fifty percent of Canada's total population lives below a horizontal line known as the "49th Parallel". South of this line lie Toronto, Montreal, and Ottawa that are some of the largest cities in Canada. Even outside of the 49th Parallel, approximately ninety percent of the population live one hundred miles from the American border. This truly sheds light on how concentrated Canada's population is and explains the housing gap as the number of houses built fails to catch up to the number of immigrants arriving. Research compares the annual population growth and housing completions and finds that Canada added an average of 553,568 people per year. However, only an average of 205,762 new homes were completed per year in Canada, resulting in a ratio of 2.7 new people per new home. This ratio is significantly higher than in the 1970s when population growth and new housing was almost equal, proving Canada currently has a housing shortage. Several prominent economists have warned that the current levels of immigration are unsustainable and are negatively affecting the housing market as Canada is struggling to accommodate its own residents, let alone new immigrants; "Until policymakers help close the gap between supply and demand, affordable housing will remain out of reach to an ever-greater share of Canada's population," said Fraser Institute senior fellow Josef Filipowicz in a press release. Moreover, the latest Immigration Levels Plan for 2023-2025 reveals the record-high expected numbers of new permanent residents in 2025. In November of 2023, CBC News expressed that rising immigration "targets have … spiked anxiety about where all these new citizens will make their homes, given the country's ongoing housing crisis". Ultimately, due to the expanding demand and the projections of immigration in the coming years, rent will remain unaffordable due to the current shortage of housing and striking population increases specifically across the Greater Golden Horseshoe. The arrival of newcomers are fueling the housing crisis as Canada does not have the ability to accommodate such a large influx of immigrants in an incredibly short period of time. Currently, the demand for housing significantly outweighs the supply indicating that rental prices will remain high and unaffordable over the next few years.

The bottom line is that Canada has become unaffordable for the average citizen as there are numerous reports of growing lines for food banks, students dumpster-living, people moving into shelters and tent communities because they cannot find accommodation in their budget. Clearly, Canadian citizens are worried regarding the housing crisis and are apprehensive towards the future as living in a nice home may become a rarity. An MNP consumer debt survey was recently conducted that reveals three in five Canadians report feeling anxious about their financial situation, with an equal number expressing concerns about paying off their debts. The Financial Consumer Agency of Canada (FCAC) stated that 65 percent of Canadians with mortgages are facing challenges in making payments, with over half of those individuals falling deeper into debt by using their savings to cover their monthly costs. Additionally, 66 percent of Canadian renters are facing challenges in making their monthly rent payments and Canadians are prevented from purchasing due to increasing market prices and elevated interest rates. Interest rates have risen to battle inflation as Canada is currently experiencing high inflation for the first time in decades. While in the long term, interest rate hikes are intended to tame this inflationary pressure, the opposite will likely happen in the short term. The annual rate of CPI inflation started rising in the spring of 2021 and has reached a peak of 8.1 percent in June 2022 but over the course of eighteen months has dropped to 2.8 percent in February. Presently, the expense of housing holds the most influence over inflation. This refers to expenses related to mortgage interest, impacted by the Bank of Canada's interest rate increases, as well as rental costs. The increase in shelter prices is mainly caused by a mix of strong demand from fast population growth and limited housing supply due to obstacles in home construction. Due to the rising mortgage payments as a result of interest rates, landlords re-listing their properties must raise the rent to cover these costs and hopefully make a profit. Therefore, the demand for housing far outweighs the supply, implying that rental costs will remain high and unaffordable, especially given inflation and rising interest rates, which distress all parties due to unaffordable payments.

Moreover, the carbon tax is scheduled to increase by 23 percent, from $65 per tonne to $80 on April 1, 2024 and is expected to climb another $15 each year until 2030, when it reaches $170 a tonne. The drastic increase in carbon tax is adding pressure to an already struggling housing market as the effects of carbon tax are widespread. Liz Kovach, the president of the Western Retail Lumber Association says the brunt of the costs of the carbon tax hike will be left with consumers, builders, potential homeowners, and people trying to rent; “Every time there’s a material, so if you think of a lumber producer … they’re gonna be shipping material to a distributor. There’s going to be a carbon tax that’s embedded in there, which the distributor is going to pay. Then they’re gonna be shipping that material, which the next person is going to pay. So if you start taking that ‘nesting doll’, the end user is the homeowner, they’re gonna have a really tough time finding some affordable housing”. Landlords often perceive carbon taxes as operational expenses and pass them on to tenants, regardless of whether they are stipulated in the lease. Landlords often create tax measures that cover all possible scenarios, including carbon taxes. Additionally, carbon tax inflates the prices of materials to build homes which further prevents the construction of new homes. High construction costs and rising interest rates are hurting developer confidence in the market; as a result, two out of three builders tell The Canadian Home Builders' Association (CHBA) that they're building fewer units, while 22 percent of developers have fully canceled projects until further notice. In essence, the carbon tax was raised significantly during turbulent times and is affecting individuals and businesses alike as we are currently greatly reliant on fossil fuels. An abundance of products, services, and resources will increase in price because of this increase including the raw materials to build a home. Evidently, building a home will become increasingly expensive, hence, homebuyers must purchase the property at a higher price. The following circumstances would force landlords to lease the property at a higher price which would greatly inconvenience the renters. Furthermore, builders are losing their confidence in the market due to high costs and interest rates which results in multiple stunted projects and expands the shortage in housing. Economically, when demand is higher than supply, that creates a shortage which in turn increases prices naturally, therefore, rent prices will not decrease and will be unaffordable to residents and newcomers alike until the housing market stabilizes.

As the outcome, there will be demand for rent in the future years, yet, due to the growing population, demand for rent is much greater than supply; and as a consequence to the increasing shortage of housing, rent prices will stay high and unaffordable for common Canadian citizens in the short term. Canadian citizens must be patient and try to adapt to the current lifestyle in hopes of a more prosperous and stable future in the long term.

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