

WHERE HAVE LOW-COST RENTAL UNITS GONE?

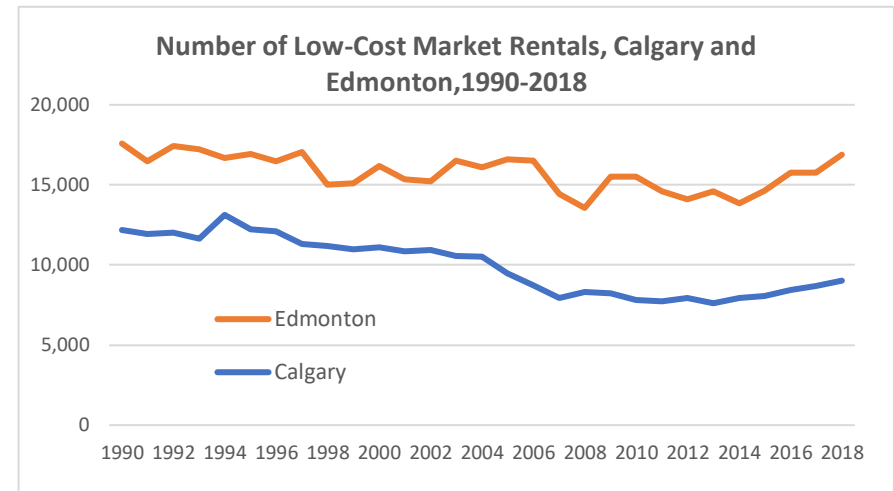
Increasing the supply of housing affordable to people with limited income is an effective way of reducing the impacts of poverty including the incidence of homelessness. Over the past 30 years, the supply of such housing in Calgary and Edmonton has fallen.

Not all rental units are alike. Some are new and located in desirable areas close to transit, parks, and schools. Others are old and located in less desirable locations. This produces a distribution of rents. If we arrange rents from least to most expensive, we can count the number of rental units priced at the low end of this distribution. The figure shows the number of rental units in Calgary and Edmonton priced in the lowest 20% of available rents. The data is annual and for the period 1990 to 2018.

Between 1990 and 2018, the number of rental units priced at the low end of the rent distribution fell by 4% (669 units) in Edmonton. In Calgary, the fall was much greater at 26% (3,155 units). But these figures understate the size of the problem because over this period population grew in both cities; by over 590,000 people in Calgary and by nearly 367,000 people in Edmonton. On a per capita basis, the number of the least costly rentals fell by 59% in Calgary and by 39% in Edmonton. What happened?

The cost of building and maintaining rental units is sensitive to the costs of labour and material. They are also sensitive to costs imposed by taxes and land use regulations, many of which are applied at the local level.

One possible explanation is rising median incomes. If median income increases, the number of people with high incomes rises relative to the number with low incomes and so we should expect the supply of low-priced rental accommodations to fall. Over this period, inflation-adjusted median incomes increased by 25% in both cities lending some credence to this explanation as a reason for the fall in the number of relatively low-cost rentals. But [median incomes](#) in the two cities are nearly identical. Thus, this explanation does not explain why the availability of low-cost rentals fell by so much



Source: Data on the number of market rental units priced in the first quintile of the rent distribution provided by special request from Canada Housing and Mortgage Corporation (CMHC).

more in Calgary than in Edmonton nor does it explain why the number of relatively low-cost rentals has historically been so much lower in Calgary.

Another possible culprit is differences in local land use regulations. The [CMHC](#) has recently studied the impact on rents of local land use regulations in Toronto, Montreal and Vancouver. That study shows these local charges increase construction costs of low-rise rentals by 8% in Vancouver and by 17% in Toronto. The higher these costs, the more difficult it is to build rental units that can be priced at a level affordable to people with low incomes.

If a large difference in the costs of local land use regulations exists between Calgary and Edmonton, this may go some way toward explaining what we see in the figure. The potential effect of land use regulations on rents is why researchers in [Canada](#) and the [US](#) have suggested attention be paid to local government policy choices when trying to understand what determines the local supply of low cost housing.