

TRUDEAU GOVERNMENT'S NEW HOUSING BENEFIT SEEMS TO IGNORE REGIONAL DIFFERENCES

by Josef Filipowicz and Steve Lafleur

As part of its National Housing Strategy, the Trudeau government announced back in November that it would directly subsidize low-income households with an average of \$2,500 annually for housing costs. Details are pending, but the logic is simple: if making rent every month is the problem, government should provide low-income households with a top-up. The reality, however, is not so simple.

The Trudeau government announced back in November that it would directly subsidize low-income households with an average of \$2,500 annually for housing costs.

In short, it depends on where you live.

According to recent research by US economists Edward Glaeser and

Joseph Gyourko, metro area housing markets can be split into three broad categories—those where housing costs less, on average, than it costs to build (think Detroit, where there are plenty of abandoned homes); those where prices are just above building costs (such as Atlanta); and those where housing costs are far higher than the cost of construction (San Francisco). Depending on where a renter lives, Glaeser and Gyourko argue, the potential effectiveness of subsidies can vary widely.

Why? The answer boils down to supply and demand.

In a market such as the San Francisco Bay area, there's a lot of demand for housing. Yet, it's well documented that this region has an inadequate supply to match that demand, due to onerous local regulations on homebuilding. The result? Low vacancies and high rents. In Atlanta, however, jumps in housing demand



Though Canada doesn't necessarily have the same extreme divergences between metro areas as the US, there remain large differences. For instance, the average monthly rent in Sault Ste. Marie, Ontario was \$786 a month in 2016 compared to \$1,264 per month in the Greater Toronto Area. Clearly, the same housing top-up goes a lot further in one market than the other.

So what can governments in Canada do to tackle affordability issues, especially in markets in the country where demand is the highest?

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are met with equivalent increases in supply, keeping margins lower for homebuilders, and the cost of housing down for buyers and renters alike.

Because of these differences, the top-up required for a low-income individual or family to cover housing costs would need to be far, far larger in San Francisco than in Atlanta or Detroit.

To start, the answer is probably more local than national, or even provincial. The federal government's subsidies would likely be more helpful to vulnerable families in cities such as Sault Ste. Marie than Toronto.

Instead, Toronto and other high-demand cities should focus on getting more housing built, at a



quicker pace. Indeed, it takes a year-and-a-half, on average, for developers to obtain building permits in Toronto, and the better part of two years in Vancouver. More market housing built for middle-class Canadians in these cities means more housing freed up for low-income families, and potentially better results for subsidy programs.

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As we wait for the finer details of Ottawa's National Housing Strategy, these recent announcements suggest insufficient consideration for the vast differences that exist between Canada's urban centres. 

Read the blog post here [»»](#)



Josef Filipowicz is a Senior Policy Analyst in the Centre for Municipal Studies at the Fraser Institute. He holds an M.A. in Political Science from Wilfrid Laurier University, and a Bachelor of Urban and Regional Planning from Ryerson University. His work

with the Fraser Institute includes the New Homes and Red Tape series focusing on the regulatory landscape surrounding home-building in Canada's municipalities, as well as analysis of the impact land-use regulation has on the housing supply in Canada's largest cities.



Steve Lafleur is Senior Policy Analyst at the Fraser Institute. He holds an M.A. in Political Science from Wilfrid Laurier University and a B.A. from Laurentian University where he studied Political Science and Economics. His past work has

focused primarily on housing, transportation, local government and inter-governmental fiscal relations. His current focus is on economic competitiveness of jurisdictions in the Prairie provinces.