



HOUSING NEED AND DEMAND ANALYSIS

DECEMBER 7, 2020



PHOTO: ADAM CLARK



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1.0 Introduction

A healthy housing system offers a diversity of housing types, tenures and prices to meet the full range of a community's needs. Ensuring a sufficient supply of affordable housing is essential to safeguard the dignity, health, safety and inclusion of all community members. Individuals who can not secure affordable housing may find it challenging to obtain and keep employment, to recover from mental illness, to integrate into the community, to escape physical or emotional violence and to keep custody of their children¹. For these reasons, affordable housing is a cornerstone of Waterloo's overall health and prosperity.

The City of Waterloo has adopted a range of approaches to support the creation and maintenance of affordable housing. The City's planning policy and zoning regulations encourage private market housing providers to build a mix of housing forms (e.g. single detached, townhouses and apartments) and tenures (e.g. rental, cooperative ownership or private ownership), and encourage increased supply through intensification in areas close to transit. By encouraging new supply and a range of housing types and tenures, the policies and regulations support the private market in offering a mix of housing prices and rents. The City also works cooperatively with Waterloo Region Housing (WHR), community groups and not-for-profits to facilitate the construction and retention of affordable housing. Over the past few decades, these groups have invested significant Federal, Provincial and Regional funding into the construction of affordable housing in Waterloo. A summary of City and Region of Waterloo financial incentives to address affordable housing needs in the community are presented in Figure 1.

¹ Ontario Human Rights Commission. (2008). Right at home: Report on the consultation on human rights and rental housing in Ontario. URL: <http://www.ohrc.on.ca/en/right-home-report-consultation-human-rights-and-rental-housing-ontario>

Figure 1. Summary of City and Region of Waterloo Affordable Housing Initiatives

Supporting Affordable Housing



Alfred Haenchen Co-Op
Source: AHCoop



The Civitan Apartments
Source: The KW Civitan Club



Mike's Place, Waterloo
Source: SHOW Homes



Brighton Yards Housing Co-op
Source: Brighton Yards

Both the City of Waterloo and Region of Waterloo offer financial incentives for the creation and maintenance of affordable housing units. Here are some of the programs that are available:



City of Waterloo:

Supporting Creation of New Affordable Housing Units:

- Grants for affordable housing (from affordable housing fund) at discretion of Council
- Development charge deferrals or reductions at discretion of Council
- Property tax exemptions for non-profit affordable housing
- Potential height/density bonusing in exchange for the creation or funding of affordable housing units, at the discretion of Council
- Expediting the review and approval of developments proposing affordable housing, where possible

Region of Waterloo:

Supporting Creation of New Affordable housing Units:

- Loans and grants to qualifying households for the creation of affordable units in secondary suites
- Capital grants to housing providers to offset cost of building new affordable and supportive housing
- Rent supplements to landlords in exchange for the provision of affordable units
- Regional development charge grants
- Optional property tax class that lowers tax ratio for new apartment units in new multi-residential developments with 6 or more units

Supporting Finding and Maintaining a Home:

- Loans to qualifying households toward the down payment on an eligible home
- Forgivable loans to qualifying households keep homes in good repair or install accessibility features like ramps, bath lifts or alarms.

More information:

City of Waterloo: devservices@waterloo.ca | 519-747-8752

Region of Waterloo: <https://www.regionofwaterloo.ca/en/living-here/housing-and-shelter.aspx>

Despite the City's policy and program measures that encourage the creation and retention of a diverse and affordable housing stock, supply of affordable housing has not kept pace with demand. Rapid increases in housing prices and rents in recent years has substantially outpaced income growth, creating significant affordability challenges for low income households. The impact of reduced affordability can be seen region-wide in increased homelessness and a growing community housing waitlist and longer wait times². Populations most affected by the gap between income and housing costs include older adults, Indigenous peoples, new Canadians, single parent households, and individuals experiencing mental health challenges and/or addictions. Increasingly, young adults and moderate income earners are also finding it challenging to secure affordable housing.

The City's 2019-2022 Strategic Plan recognizes the need for a sustainable supply of affordable housing and calls for an increase in the amount of affordable housing in the City. To achieve this objective, the City will need to evaluate the effectiveness of its existing policy measures to encourage and facilitate affordable housing, and may need to consider new, innovative approaches and partnerships. This report supports that evaluation by providing an in-depth analysis of the City's housing needs and how well those needs are being met by the existing and planned supply of housing. The findings of the report will inform future actions to create an adequate and sustainable supply of affordable housing in the City.

1.1 What is Affordable Housing?

Affordable housing is generally understood to mean housing where the cost is less than the household income and the household can afford their other basic needs after housing expenses are paid. The Provincial Policy Statement (PPS 2020) and the City's Official Plan define affordable housing specifically as:

- a. In the case of ownership housing, the least expensive of:
 - (i) housing for which the purchase price results in annual accommodation costs which do not exceed 30% of gross annual household income for low and moderate income households; or
 - (ii) housing for which the purchase price is at least 10% below the average purchase price of a resale unit in the regional market area.

- b. In the case of rental housing, the least expensive of:
 - (i) a unit for which the rent does not exceed 30% of gross annual household income for low and moderate income households; or
 - (ii) a unit for which rent is at or below the average market rent of a unit in the regional market area.

² Waterloo Region Housing Masterplan 2020-2040. (2019). Region of Waterloo Community Services. URL: <https://www.regionofwaterloo.ca/en/living-here/resources/Housing-Services/Waterloo-Region-Housing-Master-Plan.pdf>

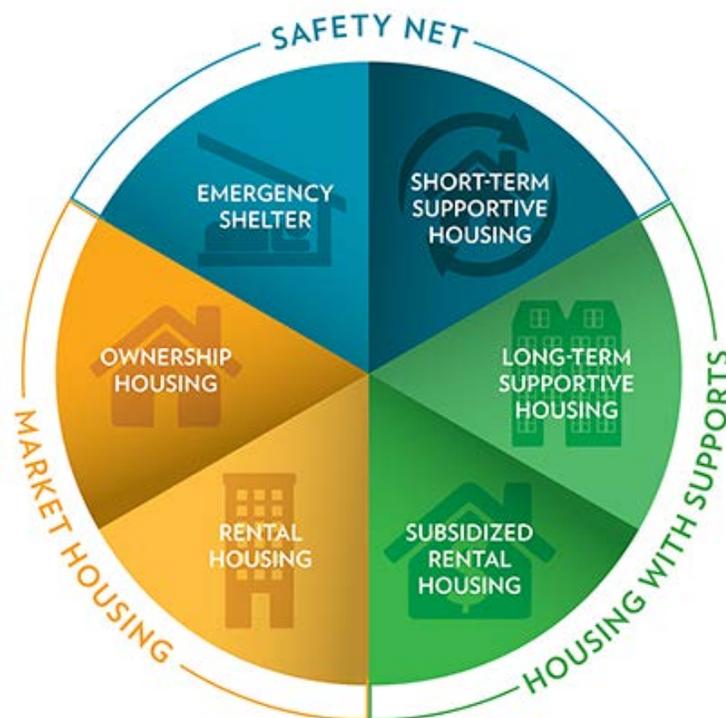
For the purposes of this definition, a regional market area is the Regional Municipality of Waterloo, and low and moderate income means:

- (i) in the case of ownership housing, households with incomes in the lowest 60% of the income distribution for the regional market area;
- (ii) in the case of rental housing, households with incomes in the lowest 60% of the income distribution for renter households for the regional market area.

Affordable housing can include a wide range of building types and tenures. Affordable housing can include temporary housing that provides accommodation for those who are homeless, displaced or fleeing violence. It also includes more permanent shelter for those who cannot afford market rate housing or for those who need special supports. While affordable housing is most commonly built as rental housing, it can also include affordable ownership, or cooperative ownership housing. Providers of affordable housing can range from government agencies, private market developers/builders, co-operative organizations, not-for-profit organizations, or any combination of these.

One of the most common types of affordable housing in the Region is referred to as “social housing” or “community housing”. Community housing is a type of affordable rental housing that provides tenants with Rent Geared-to-Income (RGI) that is equal to 30% of their gross household income. As the Region’s Provincially designated service manager, the Region of Waterloo currently owns and operates the majority of community housing in the Region.

Figure 2. Range of Housing Types and Needs



Source: CMHC, 2020

1.2 Existing Affordable Housing Initiatives

The Regional Municipality of Waterloo is designated by the Province of Ontario as the Region's Service Manager for housing and homelessness. As the Region's primary community housing provider, the Region of Waterloo operates and manages 65 community housing sites containing 2,814 units. Of these, 303 units are located within the City of Waterloo. The Region's Housing and Homelessness Plan (2019) sets a Region-wide target of 30% of all new residential development between 2019 and 2041 to be affordable for low and moderate-income households. While there is no direction as to how the target will be distributed or achieved by area municipalities, the Plan commits to collaborating with area municipalities and other community partners, to "develop strategies and tools to implement and monitor the affordable housing target, recognizing that additional tools and funding support from senior levels of government will be essential to the successful attainment of these targets."

To date, the City of Waterloo has played a supporting and facilitating role in the creation and maintenance of affordable housing. The City's last comprehensive study of affordable housing was carried out in 2001. Although Council at the time chose not to approve the proposed tax levy to fund the recommendations (DS-01-33 and DS-02-21), the City has since adopted a number of policy, regulatory and financial measures to support the creation of affordable housing. Affordable housing is encouraged through Official Plan policies, zoning by-laws and other planning policies that:

- encourage higher densities, particularly around transit, in recognition of the fact that denser housing is typically more affordable
- prevent the premature demolition of viable housing before plans to redevelop are in place
- restrict conversion of affordable rental units to condominiums units
- secure funding for or the creation of affordable housing through Section 37 (bonusing) policies

The City also has provided financial support for affordable housing, as opportunities arise, such as:

- deferring or offsetting the payment of development charges by builders of affordable housing (e.g., developments by SHOW, Maple Hill Creek Apartments and Habitat for Humanity)
- adopting a Development Charges By-law that calculates apartment rates on a per bedroom rate to more fairly allocate costs based on unit size and to not create a disincentive for the construction of smaller, more affordable units
- purchasing the Brighton school site and partnering with Options for Homes to facilitate the Brighton Yards co-operative housing development
- considering development review processes and fees with an objective of not increasing development project delivery costs/ timelines which impacts affordability (e.g., 2011 review of the Site Plan Review process)

1.3 Study purpose and Scope

This report summarizes Waterloo's population, demographic and household characteristics and housing market information to identify current and future housing needs, particularly as it relates to affordable housing. The analysis will provide background information to inform the City's development of policies and programs that support the creation of a sustainable supply of affordable housing in Waterloo.

The study examines and interprets statistical trends for the City of Waterloo within the context of the broader Region and Province. The analyses focuses on five key elements:

1. Demographics and population
2. Household incomes
3. Housing supply by housing type and planned for in the official plan.
4. Housing types and sizes of units that may be needed to meet anticipated demand for affordable housing.
5. Current average market price and the current average market rent for each housing type, taking into account location in the municipality.

While the focus of this study is the City of Waterloo, data for the Kitchener-Cambridge-Waterloo CMA or the Region of Waterloo is presented where local information is not available. Data sources include primary and secondary sources from Statistics Canada, Canada Mortgage and Housing Corporation, the Kitchener-Waterloo Real Estate Association, Region of Waterloo and City of Waterloo

2.0 Demographics and Population

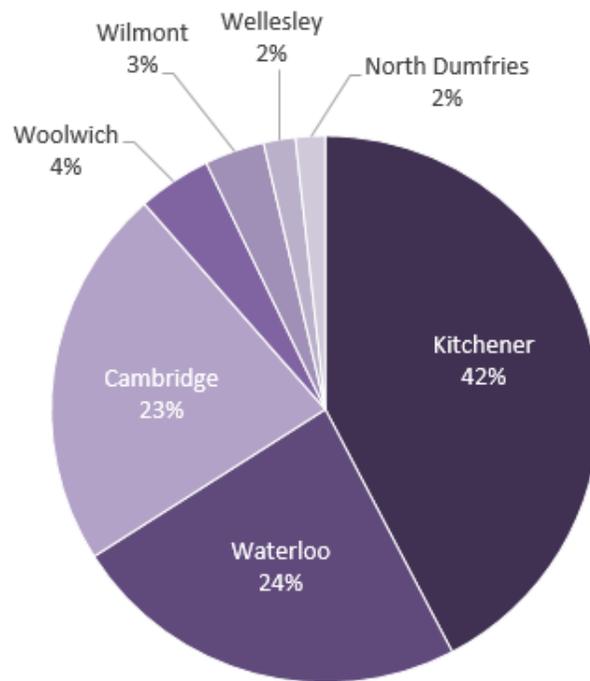
2.1 Population Trends and Projected Growth

Waterloo is a midsized city with an estimated 2019 population of 146,010 permanent and temporary residents living in either regular households or collective dwellings such as student residences, nursing homes, group homes, hospitals, and larger lodging houses³. Including both its temporary and permanent residents, the City is approximately the same size as Cambridge, and just over half of the size of Kitchener. Waterloo accounts for about 24% of the total population in the Region of Waterloo (Figure 3). Approximately 133,482⁴ residents are permanent residents or temporary students that live in off-campus, regular (non-collective) housing.

³ Region of Waterloo. (2019). 2019 Year End Population and Household Update. Estimate is based on data from the 2016 Census and includes adjustments for recent residential development, students and other temporary/foreign residents, net Census undercount, and vacancy rates. The population forecast is based on the Region's "moderate forecast" which, while still aligning with the Provincial targets, achieves the targets in a manner that is more aligned with recent growth rates. The moderate forecast achieves the Growth Plan's 2031 population target 10 years later in 2041

⁴ Hemson. Consulting Ltd. (2020). Development Charges Background Study. URL: <https://www.waterloo.ca/en/government/resources/Documents/Development-charges-and-guidelines/Development-charge-background-study-2020.pdf>

Figure 3. Population by Municipality, Waterloo Region, 2019

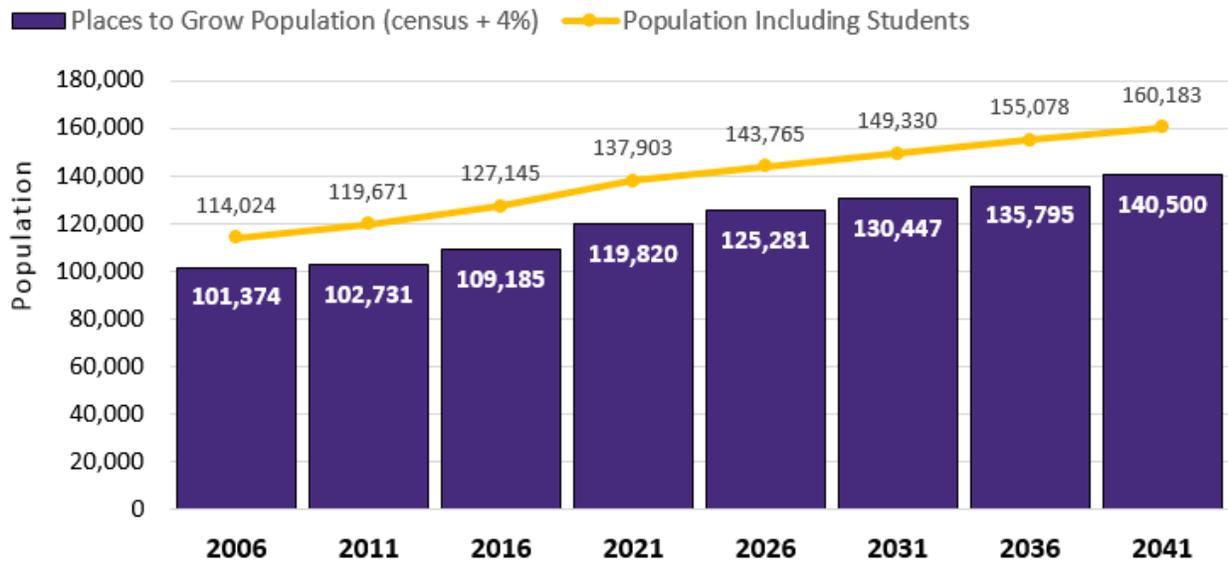


Source: Region of Waterloo, Year-End 2019 Population and Household Estimates for Waterloo Region

Waterloo Region is one of the fastest growing regions in Ontario and the City of Waterloo is a significant contributor to that growth. From 2011 to 2016, Waterloo's permanent population grew by 6.3%. This growth exceeded the Region of Waterloo (5.5%) and Province of Ontario (4.6%) rates.

Between 2016 and 2041, the City is forecasted grow by 26% or 33,038 residents to reach a total population (permanent residents and students) of 160,183 (Figure 4). In the shorter term, Waterloo's population is forecast to increase by 13,597 residents between 2019 and 2029. About 700 (5%) of new residents are expected to be students.

Figure 4. Population Forecast, 2006 to 2041*



*Student population includes only those living in off campus housing.

Sources: Region of Waterloo Moderate Forecast; Hemson Consulting Ltd (2020). Development Charges Background Study

2.2 Population Characteristics

2.2.1 Students and Temporary Residents

Temporary students drawn to the City's three post secondary institutions make up a substantial proportion of Waterloo's total population. An estimated 14% (18,035) of Waterloo's 2019 population were students living in off-campus housing. From 2011 to 2016, Waterloo's student population grew by about 6%. Since 2016, the student population has grown significantly as a result of the opening of a new Waterloo Conestoga College campus, and an increase in enrollment of international students.

The large student population creates unique housing demands for Waterloo compared with other municipalities throughout the Region and Province. A 2017 survey of students found that the majority (86%) lived within 1-5 km from campus. The vast majority of students rent their accommodations.

2.2.2 Age

Waterloo is a relatively youthful City. At the time of the last census (2016), the median age of Waterloo's permanent residents was 37.7 years, compared to a median age of 38.5 years and 41.3 years for the Region of Waterloo, and Ontario, respectively. The census data upon which the median is calculated includes international post-secondary students attending a university or college, but it does not include domestic students. Inclusion of domestic student in the calculations would further reduce the City's median age compared to Regional and Provincial numbers.

A greater proportion of Waterloo’s total population is comprised of younger adults compared with populations at the Regional and Provincial scale (Table 1). Permanent residents aged 20-29 years old comprise 18% of Waterloo’s population, which is 3% higher than the Regional average and 5% higher than the Provincial average. Non-international post secondary students, if included in the census counts, would further increase the proportion of this cohort.

Adults between 30 and 65 years of age make up the majority of the population at 45%, although this group constitutes a smaller proportion of the population than it does at the Regional (47%) and Provincial (47%) scale. Seniors (65+ years) constitute another 14% of the population, which is comparable to the Region (14%) but lower than the Provincial (17%) average.

Table 1. Population Breakdown by Age, 2016

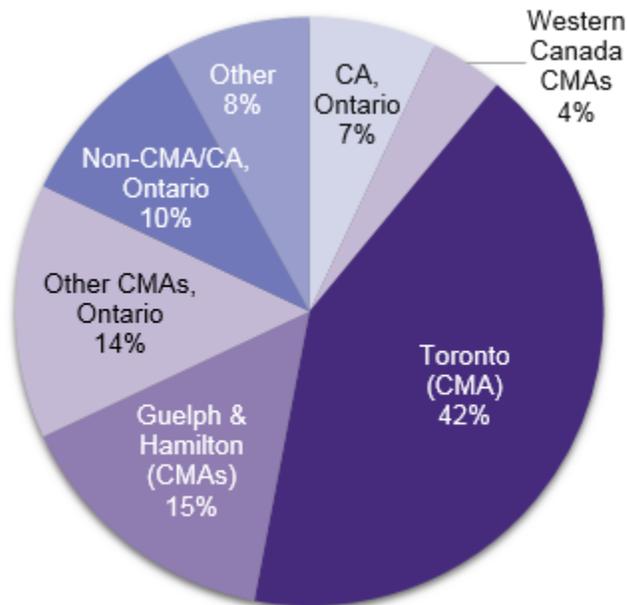
Age (years)	City of Waterloo*	Region of Waterloo	Ontario
0-19	23%	24%	23%
20-34	24%	21%	20%
35-49	19%	20%	20%
50-69	24%	25%	27%
70+	10%	10%	11%

*Includes international students but not domestic students

Source: Statistics Canada, Census of Canada 2016

The City’s relatively young population is due, in part, to the migration of young workers and families into the Region for employment and the relatively affordable cost of living. Toronto is the source of most migrants to the Kitchener-Cambridge-Waterloo CMA, followed by Guelph, Hamilton and other Ontario metropolitan areas (Figure 5). Thousands of international and domestic post secondary students also move to the City each year to attend one of the City’s post-secondary institutions.

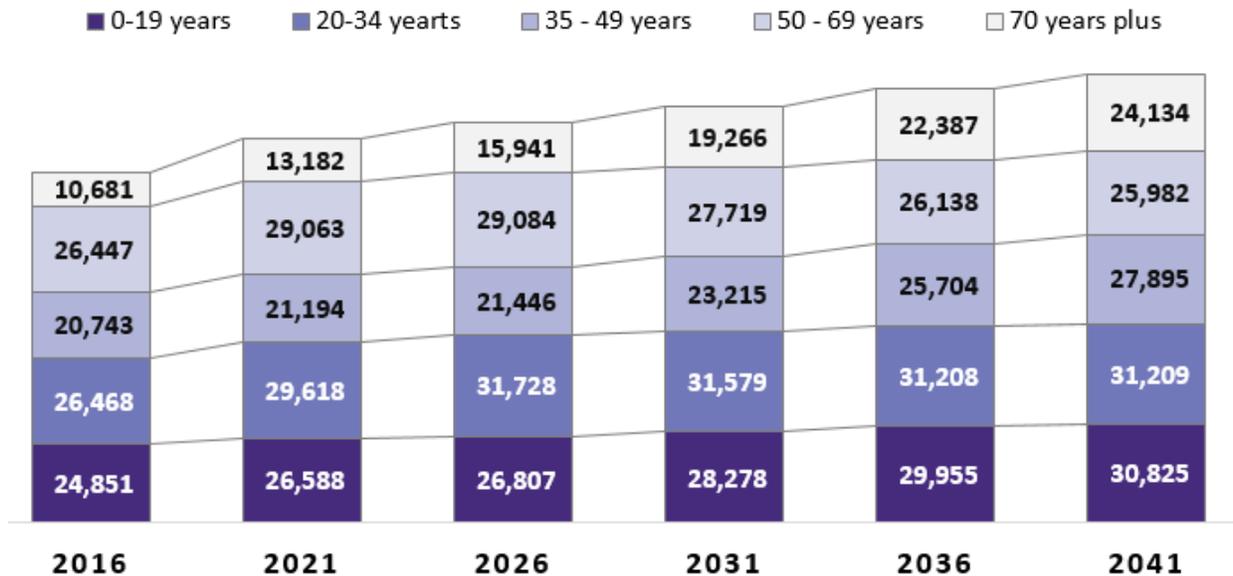
Figure 5. Sources of In-migration to the Kitchener-Cambridge-Waterloo Census Metropolitan Area (CMA)



Source: Statistics Canada, Census of Canada 2016

As Waterloo's population grows, certain age cohorts are projected to grow faster than others (Figure 6). Across Canada, senior population growth is outpacing other age groups and that trend is expected to continue as Baby Boomers advance further into their senior years. Waterloo's older seniors (70+ years) are expected to grow by 126% by 2041 and will comprise a greater proportion of the City's permanent population (10% in 2016 as compared to 17% by 2041). Younger adults, 20-34 years and 35-49 years are anticipated to grow by 18% and 34%, respectively. In contrast, older adults aged 50-69 are expected to decline by 2%.

Figure 6. Population Forecast by Age Group*



*Temporary residents and students not counted
 Source: Region of Waterloo, Moderate Forecast

2.2.3 Immigration

Approximately one in four Waterloo residents (26,155 people) are immigrants. New arrivals include economic immigrants (those selected primarily for their economic contribution to Canada), family members of existing immigrants, and refugees. The number and type of immigrants arriving in the City fluctuates each year in response to economic opportunities, Federal immigration policies and secondary immigration patterns (relocation of permanent residents in Canada from their first community of landing). In 2017, 945 people obtained permanent resident status in Waterloo, up 7% from 2013. During this same time, economic immigrants decreased by 16% (650 to 545 people) while the number of refugees increased by 360% (25 to 115 people). The increase in refugee arrivals was related to the Federal government's Syrian refugee resettlement initiative in 2016 and Kitchener's designation as one of Ontario's refugee resettlement communities.

Recent immigrants (arriving 2011-2016) often have different housing needs than established immigrants (arriving before 2011) and non-immigrants. In 2016, recent immigrants to the Kitchener-Cambridge-Waterloo Census Metropolitan Area were less likely to live alone (3%) than either established immigrants or non-immigrants (10%). Recent and established immigrants were twice as likely to live in multi-generational households (10%) than Canadian-born residents (5%).

Recent immigrants to Waterloo Region are more likely to have a post-secondary certificate, diploma or degree (57%) compared with established immigrants (55%) and

Canadian-born individuals (51%). Despite the higher level of education attainment, recent immigrants in Waterloo Region were twice as likely to be unemployed as established immigrants and Canadian-born individuals (12% compared to 6%). This trend is comparable to employment rates for recent immigrants across Ontario (13%).

2.3 Households

Waterloo's 2019 population was distributed across an estimated 42,490 households⁵. In recent decades, the rate of household growth outpaced population growth because of a tendency toward smaller households. Households comprised of permanent residents grew by 8% between 2011 and 2016, surpassing Ontario's and the Region's average household growth (both 6%) during this period. Household growth is expected to continue to outpace population growth (Table 2)

Table 2. City of Waterloo Forecast Population and Household Growth

Year	Population	Population Growth	Households	Household Growth
2016	127,145	-	40,381	-
2019	133,482	5%	42,490	5%
2021	137,903	3%	43,896	3%
2023	140,218	2%	45,329	3%
2026	143,765	3%	47,478	5%
2029	147,079	2%	49,816	5%
2031	149,330	2%	51,375	3%
2036	155,078	4%	54,810	6%
2041	160,183	3%	58,268	6%

Source: Hemson Consulting Ltd. (2020). Development Charge Background Study

Between 2019 and 2041, the number of households is forecast to increase by 15,778 (Table 3). In the shorter term, between 2019 and 2029, households are forecast to increase by 7,327. These households will require the construction of new dwelling units.

Table 3. Forecasted Population, Households and New Dwelling Units, 2019-2041

Year	Total Population	Total Households	New Dwelling Units Required
2019	133,482	42,490	-
2029	147,079	49,816	7,327
2041	160,183	58,268	15,778

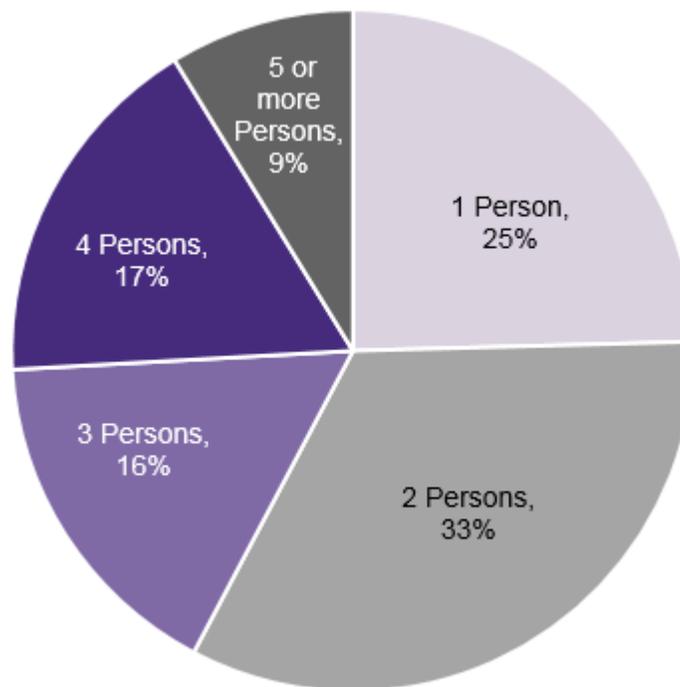
Source: Hemson Consulting Ltd. (2020). Development Charge Background Study

⁵ Hemson Consulting. 2020. Development Charge Background Study. Households included permanent residents (as recorded in the Census), an estimate of Census net under-coverage of 3.3%, and an estimate of full-time students living in off-campus housing (not included in the Census).

2.3.1 Household Size and Type

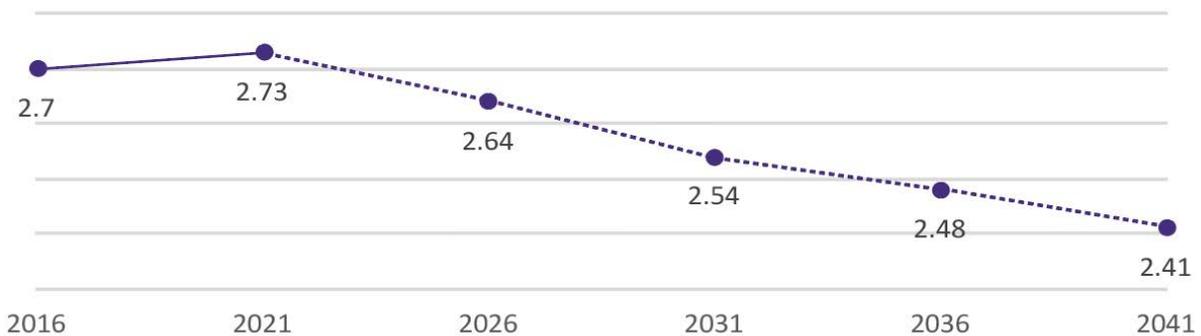
The majority (58%) of Waterloo's households in 2016 were comprised of one and two people (Figure 7). Growth in single-person households between 2006 and 2016 was faster (15%) than other household sizes, such as 2 person households (12%), 3 person households (7%) and 4-5 person households (3%). The increasing proportion of single person households has been a long standing national trend and is associated with a wide range of factors, including changing housing preferences, an aging of population and declining average family size. Household sizes are expected to trend downward over the next few decades (Figure 8)

Figure 7. Proportion of Households by Size, 2016



Source: Statistics Canada, Census of Canada 2016

Figure 8. Projected Average Household Size, 2016 to 2041



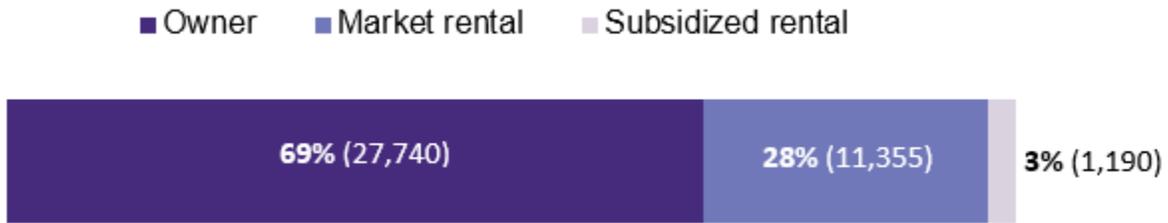
Source: City of Waterloo; Hemson Consulting Ltd., Statistics Canada, Census of Canada 2016

Despite local, provincial and national trends toward smaller household sizes, recent estimates indicate that since 2016 Waterloo has experienced notable growth of larger sized households. In 2019, Waterloo's households were estimated to be larger on average than most households throughout the Region and Province, with an estimated 2.95 people per household, compared with Kitchener (2.60) and Cambridge (2.72), and Ontario (2.60). The denser living arrangements in Waterloo compared to other geographies may be due, in part, to the recent surge in international student enrollment at local post-secondary institutions. Compared to domestic students who have a wider range of housing options (e.g. commuting from their family's home), international students are more likely to require housing and many students may choose to share accommodations to lower their housing costs. Other factors influencing Waterloo's larger average household sizes include an increase in refugee families since 2016, who are more likely to have larger, multi-generational households, and the in-migration of adults aged 25-39 who have a higher rate of family formation than other types of households. These factors may temper the predicted downward trend in household sizes over the next two decades.

2.3.2 Household Tenure

Most of Waterloo's households are home owners (Figure 9). In 2016, about 69% of permanent resident households owned their own home, while the remaining 31% of households rented. Although the tenure split is consistent with owner/rental ratios for the Region of Waterloo (68:32) and Ontario (69:31), it doesn't account for a large proportion of post secondary students, who, if included in the census data for Waterloo, would increase the City's proportion of rental households relative to homeowners.

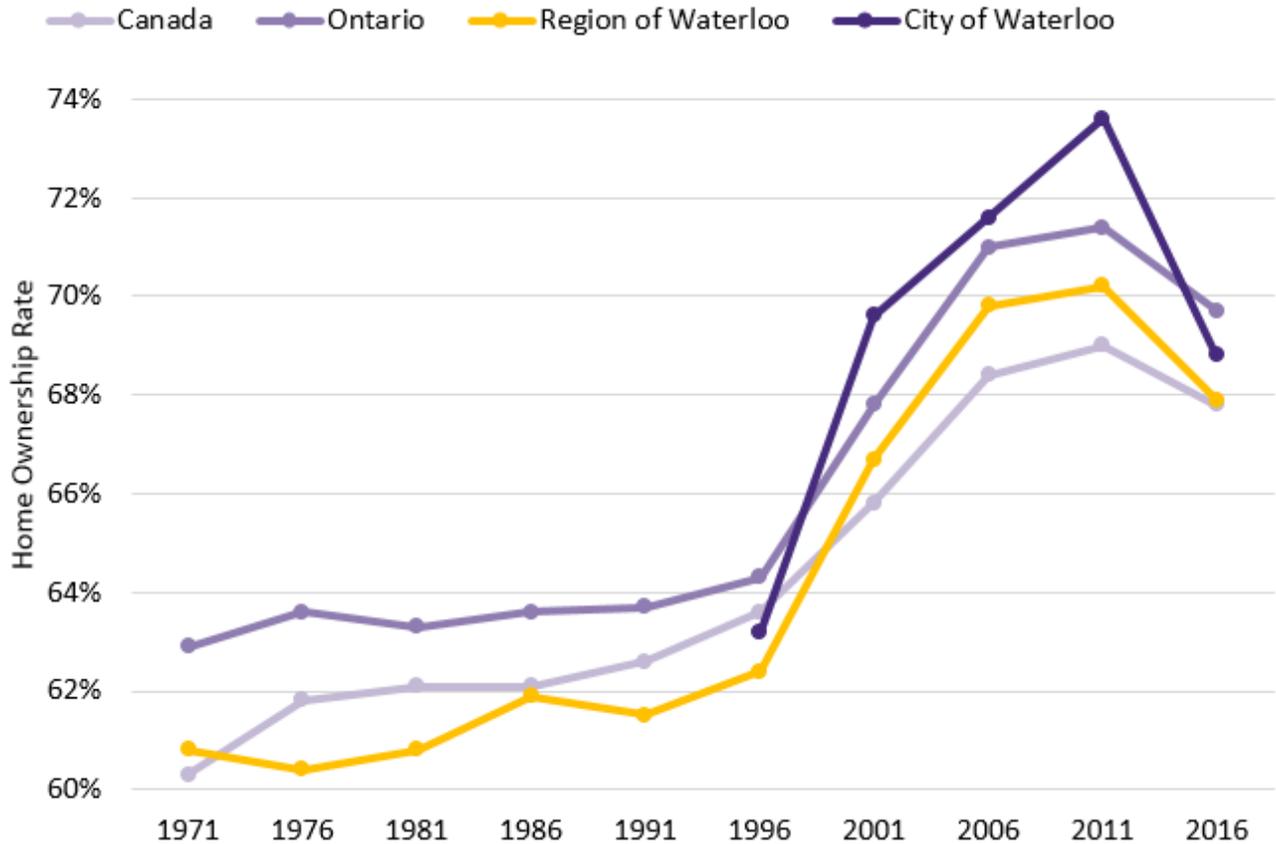
Figure 9. Housing Tenure in Waterloo, 2016



Source: Statistics Canada, Census of Canada 2016

Waterloo has seen a drop in homeownership in recent years, from 78% in 2006 to 69% in 2016 (Figure 10). This trend is consistent with declining homeownership throughout much of Canada. Significant rises in home prices coupled with slower income and employment growth are largely responsible for the shift away from homeownership. Slower growth in the construction of new housing relative to population growth has also been identified as a possible factor. While homeownership has declined in the past decade, it is higher than rates from the 1970s through to the 1990s.

Figure 10. Home Ownership Rates, 1971-2016



Source: Statistics Canada

Declining homeownership rates have various impacts on different age groups. Since 2006, homeownership dropped by 25% in adults aged 25-34 years, whereas homeownership dropped only 3% in seniors (65+ years). In 2016, the likelihood of a young adult 25-35 years old owning their home was just over half of the likelihood of a 55-64 year olds (43% compared to 82%) (Figure 11).

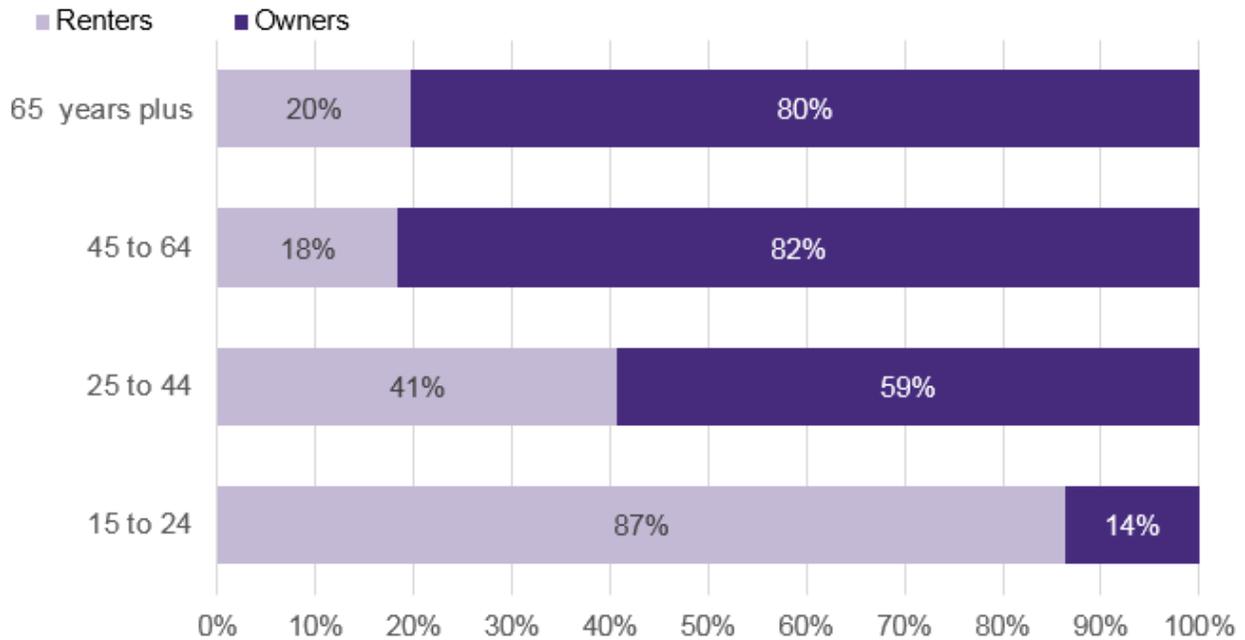
While seniors from prior generations tended to downsize by moving from single detached homes to rental units, today's senior households are more likely to remain invested as owners by staying in their existing homes for longer periods of time and/or downsizing to a condominium rather than a rental apartment⁶. Seniors may choose to stay in their existing homes for a variety of reasons, including familiarity and stability, a desire to maintain neighbourhood connections, inability to find alternative housing that meets their needs, and the availability of public programs, such as Ontario Renovates, that provide financial assistance for repairs and accessibility modifications.

The reduced tendency for seniors to downsize may result in more senior households being "overhoused". Overhousing occurs when households occupy dwellings that have more bedrooms than the household needs or uses. While aging in place can provide a number of positive benefits to the individual and broader community, it also puts pressure on the supply of larger sized dwelling units in the market. Across Ontario, it is estimated that over 75% of those aged 65 and over live in housing that has more bedrooms than the number of household members⁷. As many as 50% of all Ontarians are considered to be overhoused.

⁶ Pomeroy, Steve (Focus Consulting Inc.) and Lampert, Greg. (2017). Examining the dynamics of Canada's housing tenure system: implications for a National Housing Strategy. A background working paper. Prepared for the Canadian Home Builders' Association and the Canadian Housing and Renewal Association with support from Genworth Canada. URL: https://chra-achru.ca/wp-content/uploads/2018/11/2017-12_backgroundunder_dynamics-tenure-system_implications-nhs.pdf

⁷ Canadian Centre for Economic Analysis. (2017). Understanding the forces driving the shelter affordability issue: A linked-path assessment of housing market dynamics in Ontario and the GTHA.

Figure 11. Ownership Rates by Age of Primary Household Maintainer, 2016



Source: Statistics Canada, Census of Canada 2016

Approximately 31% of Waterloo’s households rent their dwellings. Younger households are more likely to rent than older households (Figure 11). Single person households make up a much greater share of renter households compared with owner households (39% compared to 18%; Figure 12). Non-family households (e.g. roommates) also comprise a greater share of renter households, making up 18% of renter households compare to 2% of owner households.

Figure 12. Household Size as a Proportion of Total Renter and Owner Households, 2016



Source: Statistics Canada, Census of Canada 2016

Household income is a significant factor underlying the likelihood that a household will own or rent their dwelling unit. Renter households have significantly lower average household incomes (\$25,273) compared with owner households (\$43,829).

The decline in ownership rates has been matched with a growing proportion of households renting their dwellings units. Between 2006 and 2016, growth in the number of renter households (21%) outpaced the number of owner households (6%). The faster growth of renter households resulted in an increase in the total proportion of renters by approximately 3% from 2006 to 2016.

Demand for rental housing is anticipated to continue to grow as the City's population increases and price of ownership increases. Waterloo's growing young adult and student populations are anticipated to contribute to the increased demand for rental housing. Younger adults are more likely to rent than own their own home for a variety of reasons including income and affordability, location and housing preferences, and transience. Other factors that have been attributed to an increasing demand for rental housing include stable employment levels for young workers (20-24 years) enabling them to leave their family home, government intensification policies, and a desire to live in urban areas with access to transit⁸. Strong rates of in-migration of young professionals (25-34 years) to the Region and a growing post-secondary student enrollment have magnified the demand for rental housing in recent years⁹.

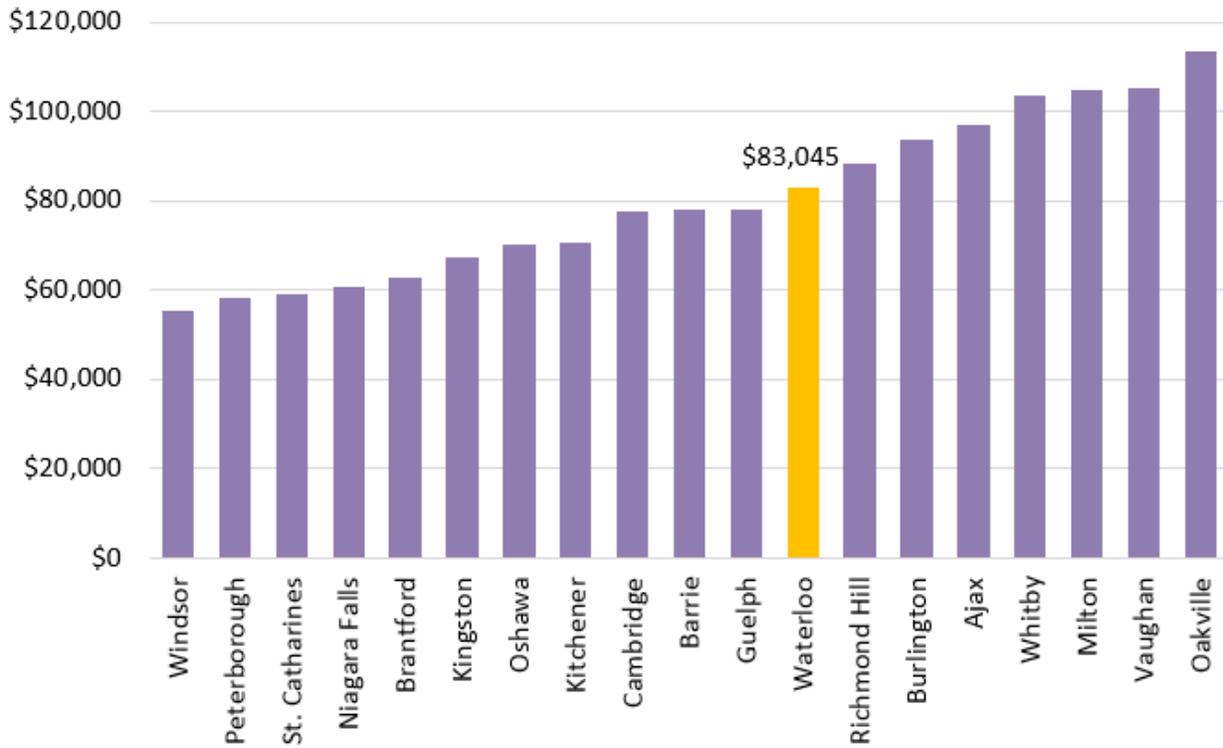
3.0 Household Incomes

Waterloo's median, before tax, household income in 2015 was \$83,045. The median divides the range of household incomes into two equal parts, with half of Waterloo households making more than \$83,045 and the other half made less than \$83,045. Waterloo's median income generally falls within the middle of the range of household incomes for similarly sized cities in southern Ontario (Figure 13).

⁸ Federation of Rental Providers of Ontario. (2015). Removing Barriers to New Rental Housing in Ontario. URL: <http://www.frpo.org/wp-content/uploads/2015/04/FRPO-Barriers-to-New-Development-Paper-July-20151.pdf>

⁹ CMHC. (2018) Rental Market Reports — Major Centres (K-W-C CMA); CMHC. (2019) Housing Market Outlook Kitchener-Cambridge-Waterloo CMA. URL: https://eppdscrmssa01.blob.core.windows.net/cmhcprodcontainer/sf/project/archive/housing_markets/housing_market_outlook_kitchener_and_guelph/64323_2019_b02.pdf

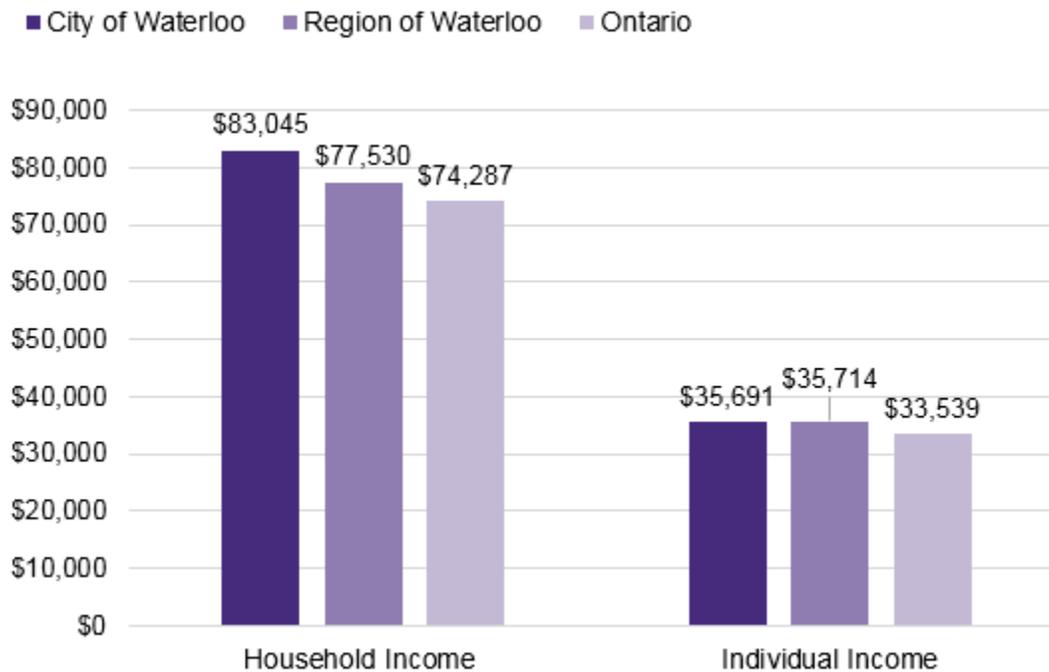
Figure 13. Median Household Income for Waterloo and other Mid-Sized Ontario Cities



Source: Statistics Canada Census, 2016

The City's median household income was 7% higher than the median income for the Region of Waterloo (77,530) and was 12% higher than the Provincial median income (\$74,287) (Figure 14). Although Waterloo's incomes were relatively high compared to other jurisdictions in the Region, Waterloo was the only municipality whose median income declined during the 2005-2015 period. Waterloo's incomes saw a 1.6% decline during this period, while growth in median income in other municipalities ranged from 0.7% (Cambridge) to 13.2% (Wellesley). Declining incomes may be due in part to the downsizing and restructuring of a major local employer, Research in Motion (now Blackberry), over that time period.

Figure 14. Median Household and Individual Income, 2015



Source: Statistics Canada Census, 2016

Income deciles provide more information about the distribution of income across households and each income group's capacity to pay for the cost of housing. Deciles break the population's income distribution into ten equal parts. Households in the first decile (decile 1) are those that fall into the lowest 10% of the total income distribution, while those in the 10th decile are those in the highest 10% of the total income distribution. Low income households are considered to be those in the bottom 30% (deciles 1-3) of the income range. Region-wide, a household is considered to have low income if its gross income in 2015 was less than \$49,932. Medium income households were those that had a 2015 gross income of between \$49,932 and \$93,266, while high income households were those that had a gross income of more than \$93,266 (Table 4).

Compared to the income distribution for the Region of Waterloo as a whole, the distribution of income in the City of Waterloo is more heavily weighted at the two extremes of the income range. A higher proportion of Waterloo households fall into the 1st, 9th and 10th deciles for income, and a lower proportion fall into the middle range deciles (deciles 2-8). In other words, compared to the Region, a greater proportion of Waterloo households made less than \$23,313, or more than \$136,610.

Table 4. Region of Waterloo and City of Waterloo Household Income Deciles, 2015

Income Category	Decile	Income Range (Gross)	Region of Waterloo % of Hhlds	City of Waterloo % of Hhlds	City of Waterloo # of Hhlds
Low Income	1	≤\$23,313	10%	11.4%	4,585
	2	\$23,314 to \$37,266	10%	9.0%	3,645
	3	\$37,267 to \$49,932	10%	8.7%	3,485
Moderate Income	4	\$49,933 to \$63,263	10%	8.7%	3,500
	5	\$63,264 to \$77,566	10%	8.8%	3,545
	6	\$77,567 to \$93,266	10%	9.3%	3,750
High Income	7	\$93,267 to \$111,735	10%	8.9%	3,585
	8	\$111,736 to \$136,609	10%	9.5%	3,815
	9	\$136,610 to 177,016	10%	11.1%	4,490
	10	\$177,017+	10%	14.6%	5,880

Source: Statistics Canada Census, 2016

Households in deciles 1-3 and 4-6 of the Region's gross income range are considered low and moderate income households, respectively, for the purpose of calculating affordable housing (see Section 1.1). A total of 11,715 households reported 2015 incomes of less than \$49,932, placing them in the low income category for the regional market area. An additional 10,795 households reported 2015 incomes of between \$49,932 and \$93,266, placing them in the moderate income category for the regional market area.

3.1 Household Characteristics and Income

The ability to pool incomes within a household has a significant impact on a household's financial situation and housing options. As much as 50% of Waterloo's low income households are single person households, compared with only 7% of high income households (Table 5). Age also plays a role in a household's total earnings, with younger and older households comprising a sizable proportion of Waterloo's lowest income households. About one third (32%) of Waterloo's low income households are headed by a visible minority compared with 16% of high income households. Other characteristics, such as households with a member with a disability, recent immigrants or indigenous households, were more equally represented across all income groups.

Table 5. Household Characteristics and Income

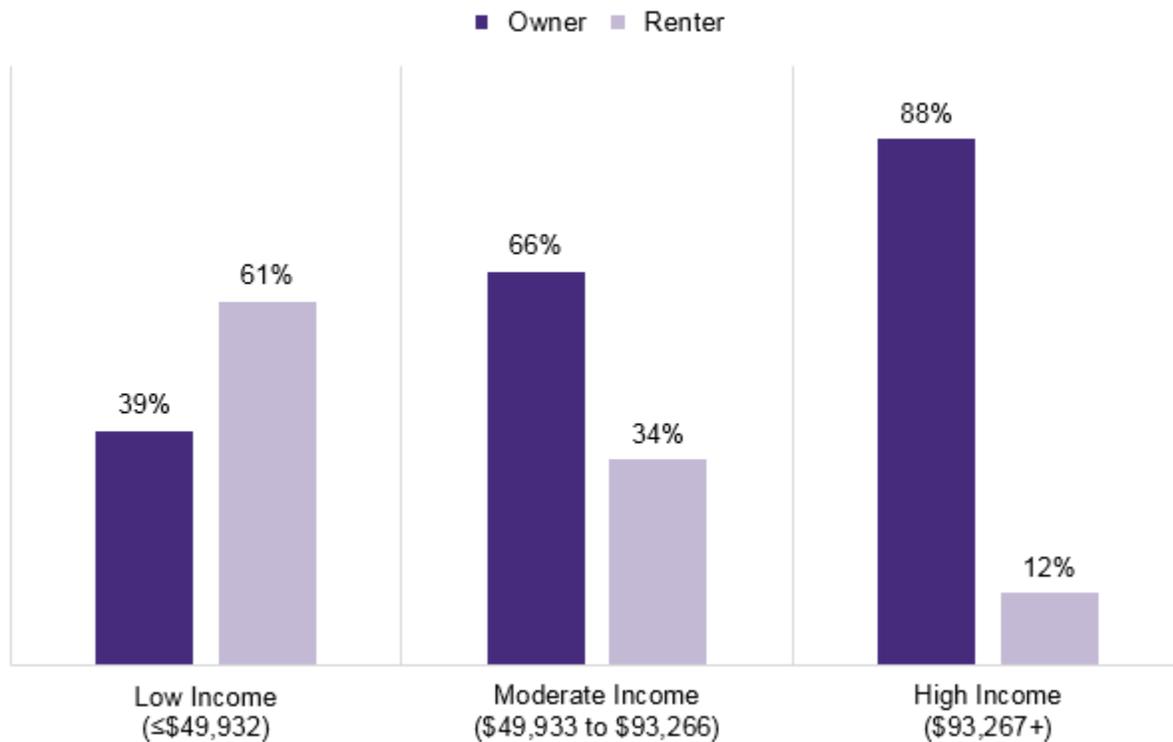
Household Type/Characteristic	% of Low Income Hhlds	% of Moderate Income Hhlds	% of High Income Hhlds
1 Person	50%	26%	7%
Visible Minority	32%	35%	16%
Household Member with Disability	30%	32%	25%
Seniors (65+)	28%	27%	13%
Under 25 years old	22%	24%	1%
Young adults (25-34)	16%	18%	12%
Seniors (75+)	15%	11%	5%
Lone-Parent	11%	11%	5%
Recent Immigrant (2007-2016)	8%	6%	4%
Aboriginal Identity	1%	1%	1%

Source: Statistics Canada Census, 2016

Renting households are more likely than owner households to have low incomes (Figure 15). The lower incomes of renting households is partly related to age (younger households which comprise a significant proportion of renters typically earn less money) and household composition (One person households make up the majority of renters, and these households are limited to a single income earner).

Among low income households, 61% rent their homes, whereas 39% own their homes. In contrast, moderate income households are almost twice as likely (66% and 34%, respectively) to own than rent their homes, and high income households are more than seven times as likely (88% and 12%, respectively) to own than rent their homes. High house prices and challenges securing and maintaining a mortgage are two significant obstacles to home ownership facing lower income households.

Figure 15. Housing Tenure by Income Decile



Source: Statistics Canada Census, 2016

3.2 Prevalence of Low income

The number and proportion of households with low income can inform the type and quantity of affordable housing needed in a community. While income deciles are useful to evaluate relative income levels and are important for the purpose of calculating affordable housing under the Provincial definition, other indicators can also be useful for quantifying the prevalence of low income in a population. One such measure is the Market Basket Measure, which was adopted by the Federal government in 2018 to represent Canada's official poverty line. The measure provides poverty thresholds for different regions and different households sizes based on the cost of a basket of goods and services that represent what a typical family or individual might require for a modest, basic standard of living. Households whose incomes are below the poverty threshold set out in the Market Basket Measure are those who might be challenged to find housing that is affordable. For 2015, the Market Basket Measure for a city the size of Waterloo was \$43,404 for a family of four. In 2015, about 11,135 individuals, or 11% of Waterloo's population, had incomes below the MBM poverty threshold.

Other measures of low income suggest a similar prevalence of low income in the population. The Low-Income Measure, After Tax (LIM-AT) calculates the number of households that fall below a household-size adjusted income level. The Low-income Cut-Offs, After Tax (LICO-AT) measures how many households have incomes that require them to spend 20% or more than the average of their after-tax income on food,

shelter and clothing. All three low income measures converge on a prevalence of low income ranging from 11% to 14% of Waterloo’s households (Table 6). The proportion of low income households in Waterloo is fairly consistent with the proportions found in the Kitchener-Cambridge-Waterloo CMA and Ontario.

Table 6. Prevalence of Low Income, 2015

Geography	Proportion of Households with Low Income		
	Market Basket Measure	LICO-AT Measure	LIM-AT Measure
City of Waterloo	11%	11%	14%
Kitchener-Cambridge-Waterloo CMA	11%	7%	12%
Ontario	14%	10%	14%

Source: Statistics Canada Census, 2016

4.0 Housing Supply

Housing supply is a significant factor that influences house prices and rents. Markets with the greatest constraints on supply tend to also have the greatest affordability challenges¹⁰. Ensuring an adequate supply of housing is a basic step toward creating an affordable housing stock, since higher vacancy rates create a competitive housing market that can put downward pressure on housing costs for all income ranges. Although the majority of housing is constructed by private housing providers, municipalities support the creation of new supply by ensuring there is an adequate amount of serviced greenfield lands and appropriately zoned intensification lands to support residential development.

4.1 Official Plan Policy Framework

To accommodate population growth, the City’s 2012 Official Plan contemplates a significant amount of residential development through intensification within the built up area of the City, and new residential construction in remaining greenfield areas. The plan sets out targets and locations for growth to encourage the creation of a sufficient supply of housing in areas that are supported by the necessary infrastructure. Some of these targets, such as the City-wide population, density and intensification targets, were deferred in response to an appeal of the Region of Waterloo’s Official Plan and are therefore not in effect. Updating the City’s municipal density targets will be considered as a part of Waterloo’s Official Plan Review (to commence Fall 2020). Other factors, such as the specific building heights and densities assigned to different residential land use categories, are in force and help achieve the broader density and intensification targets that are under appeal.

Waterloo has a limited supply of vacant land for future urban growth. The size, shape and environmental features of remaining greenfield areas further constrain the amount

¹⁰ CMHC. (2018). Examining Escalating House Prices in Large Canadian Metropolitan Centres. URL: <https://www.cmhc-schl.gc.ca/en/data-and-research/publications-and-reports/examining-escalating-house-prices-in-large-canadian-metropolitan-centres>.

of residential development that these areas can accommodate. Greenfield areas planned for residential uses are primarily designated “Low Density Residential”, which contemplates low-rise building forms such as single-detached dwellings and semi-detached dwellings, and townhouses and a maximum net residential density of 150 bedrooms per hectare. Under the current planning framework, the City’s greenfield areas have the potential to accommodate an estimated 6,400 units. Actual unit count may vary based on further study of environmental features (e.g. environmental buffers), private development proposals and planning approvals.

Approximately half of Waterloo’s future growth will occur in the built up area. Key focal points for intensification are the Uptown Waterloo Urban Growth Centre, Major Transit Station Areas and other designated Nodes and Corridors. These areas are located along major transportation corridors on the periphery of lower density neighbourhoods. New residential development within the City’s designated Nodes, Corridors and Major Transit Station Areas is envisioned to be higher density than surrounding areas to make efficient use of land and to take advantage of transit. The Official Plan envisions areas for intensification to largely consist of medium, medium-high and high density residential and mixed-use structures at heights that range from 20m to 81m and from 450 bedrooms per hectare to 750 bedrooms per hectare.

The Official Plan’s designated Nodes and Corridors and Major Transit Station Areas provide a generous framework to accommodate growth and intensification. Estimates of the development capacity for Major Transit Station Areas based on the existing zoning framework suggest that these areas could accommodate up to 49,000 additional residential units¹¹ (Table 7). Under the same assumptions, Major Nodes and Corridors (excluding the Uptown Urban Growth Centre) could accommodate another 49,600 residential units. In total, the areas designated for intensification in the Built Up Area are estimated to have the capacity to accommodate 98,500 additional units.

Table 7. Estimated Development Capacity of Designated Greenfield Areas and Built up Area in the City of Waterloo

Land Supply	Additional Units	Additional Beds*
Designated Greenfield Areas	6,400	18,800
Built Up Area (BUA)	98,500	173,400
Major Transit Station Areas (including Uptown Urban Growth Centre)	49,000	86,200
Major and Minor Nodes and Corridors (excluding Uptown Urban Growth Centre)	49,600	87,200
Total Greenfield and BUA	104,900	192,200

*Assuming 1.76 beds per unit

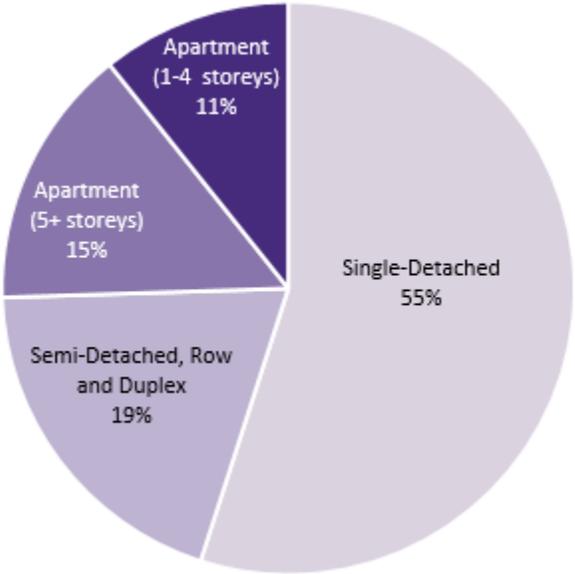
¹¹ Estimates are based on total potential Gross Floor Area. Key assumptions include: 1) no development on significant environmental features or hazard lands, 2) no development in low density residential zones, 3) Building lot coverage is equal to 60% of total property area, 4) 85% of the total building Gross Floor Area can be attributed to dwelling units

Outside of the Nodes and Corridors framework, the Official Plan contemplates a relatively small amount of intensification through infill development of the built up area, provided it is compatible with the surrounding neighbourhood context. Second units, either within an existing residential building or as an ancillary detached building, are contemplated for a number of low density housing forms within the “Low Density Residential” designation. The “Low Density Residential” land use designation also contemplates low-rise terrace dwellings and low-rise apartment units for unique sites where it can be demonstrated that the higher density building form can meet a set of criteria designed to maintain the existing low-rise built-form and character of low density residential neighbourhoods.

4.2 Market Housing Supply

In 2016, Waterloo had a total of 40,380 dwelling units occupied by permanent residents. Like many other mid-sized cities across Ontario, the majority (22,110; 55%) of these dwellings were single detached houses (Figure 16). Single detached housing was also the dominant housing form across the Region (56%) and the Province (54%). Denser, ground level housing, such as semi-detached houses, row houses and duplexes comprised 19% of Waterloo’s housing types, and apartment buildings less than five storeys comprised another 11%. High density apartment buildings consisting of five or more storeys made up the remaining 15% of all dwelling types in the City.

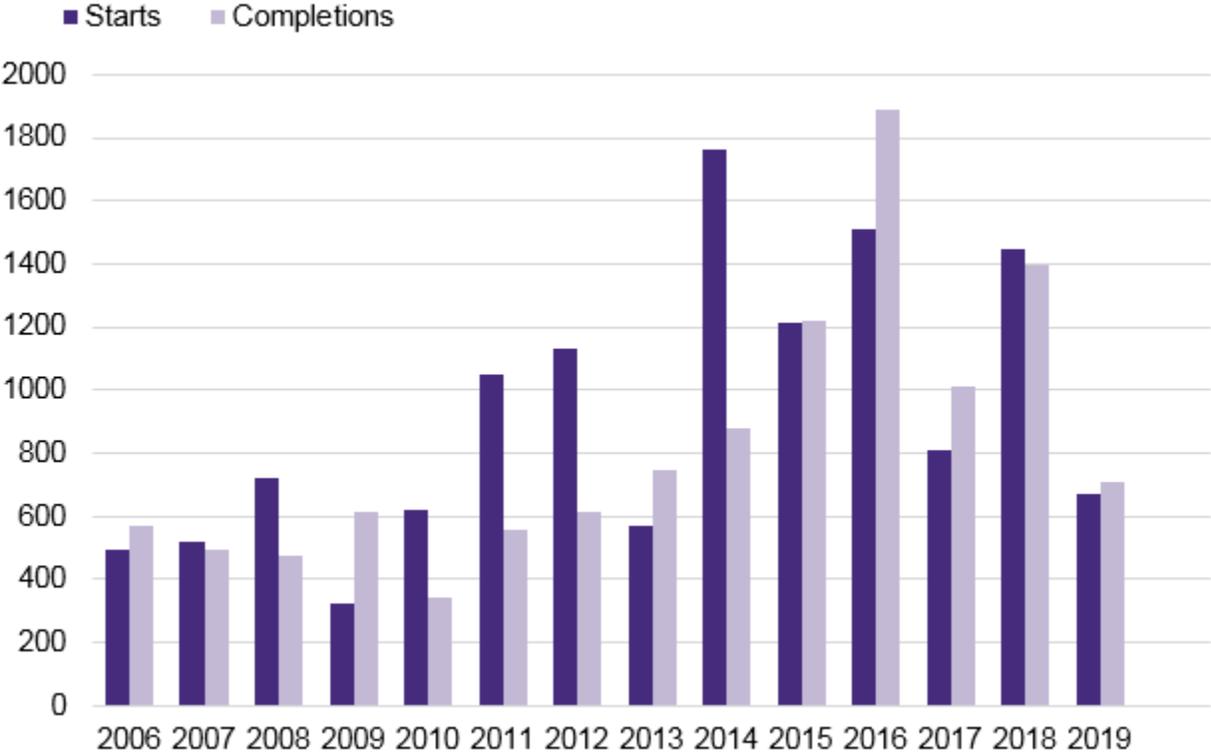
Figure 16. Proportion of Housing by Dwelling Type, 2016



Source: Statistics Canada Census, 2016

Waterloo has experienced a moderate upward trend in housing construction since 2006, with some variation year to year. Since 2015, the number of total new housing starts has averaged about 1,128 new units, while housing completions has averaged 1,190 units. Housing starts declined in 2019, with new housing starts at 668 units and completions at 706 units. The number of housing units started and completed in 2020 is expected to be significantly lower than previous years due to the COVID-19 pandemic.

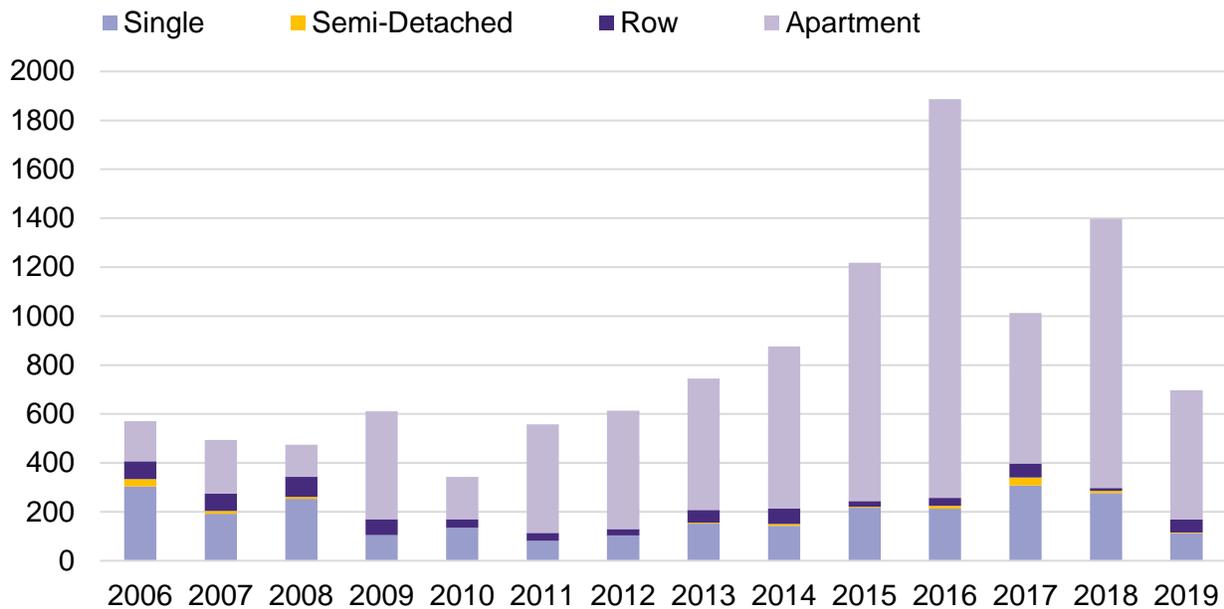
Figure 17. Housing Units Starts and Completions, 2006 to 2019



Source: CMHC, 2020

Although the existing housing stock is comprised mostly of ground level housing such as single and semi-detached houses, most new housing construction has shifted to denser forms of housing. Since 2009, more apartment units have been constructed each year than single, semi-detached and row housing units combined (Figure 18). Apartment units include both condominium units and purpose built rental units.

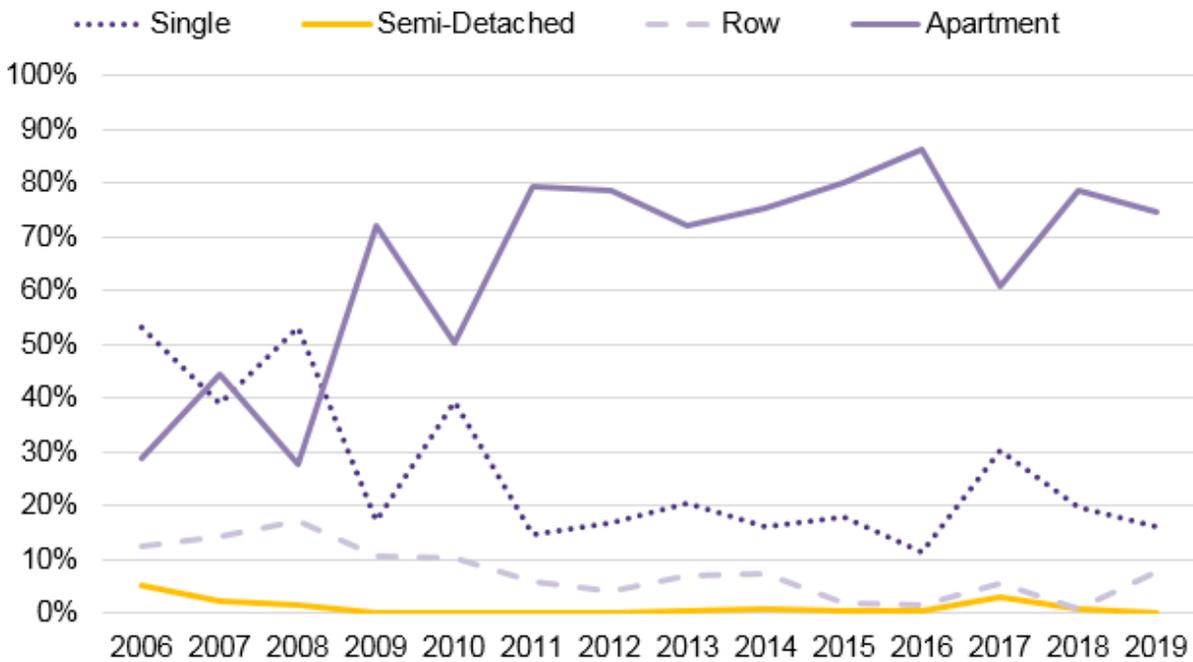
Figure 18. Housing Units Completed by Dwelling Type, 2006-2019



Source: CMHC, 2020

Low density residential housing makes up an increasingly small proportion of Waterloo's new residential construction. Single detached dwellings declined from over 50% of all new residential construction in 2006 to below 30% in 2019, while construction of apartment buildings grew from just under 30% to more than 70% (Figure 19). Over the same period, the number of Waterloo households living in single detached housing forms grew by only 7%, while the number of households living in apartments of five or more storeys grew by 44%.

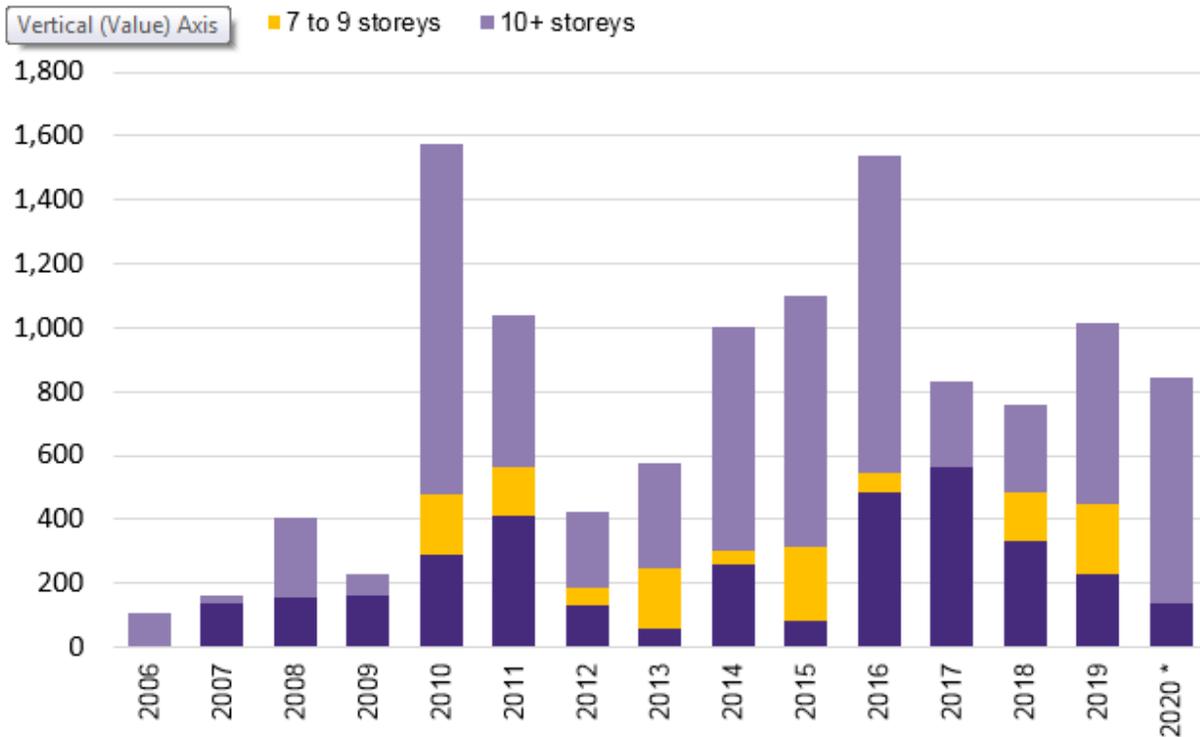
Figure 19. Proportion of Housing Completions by Dwelling Type (2006-2019)



Source: CMHC, 2020

While many fast growing communities in Ontario have reported a decline in the construction of new mid-rise apartment buildings, Waterloo has seen modest yearly increases in the construction of this building form since 2007 (Figure 20). Buildings of four to six storeys comprise 28% of all new multi-unit construction since 2010. Another 12% of new multi-unit construction since 2010 consisted of seven to nine storey buildings, and the remaining 60% of new construction were buildings of ten storey or more. A good portion of new mid-rise buildings have been constructed around the Universities, facilitated by the Northdale planning framework adopted in 2012.

Figure 20. Building Permits Issued for Multi-Unit Buildings, 2006-2020



Source: City of Waterloo

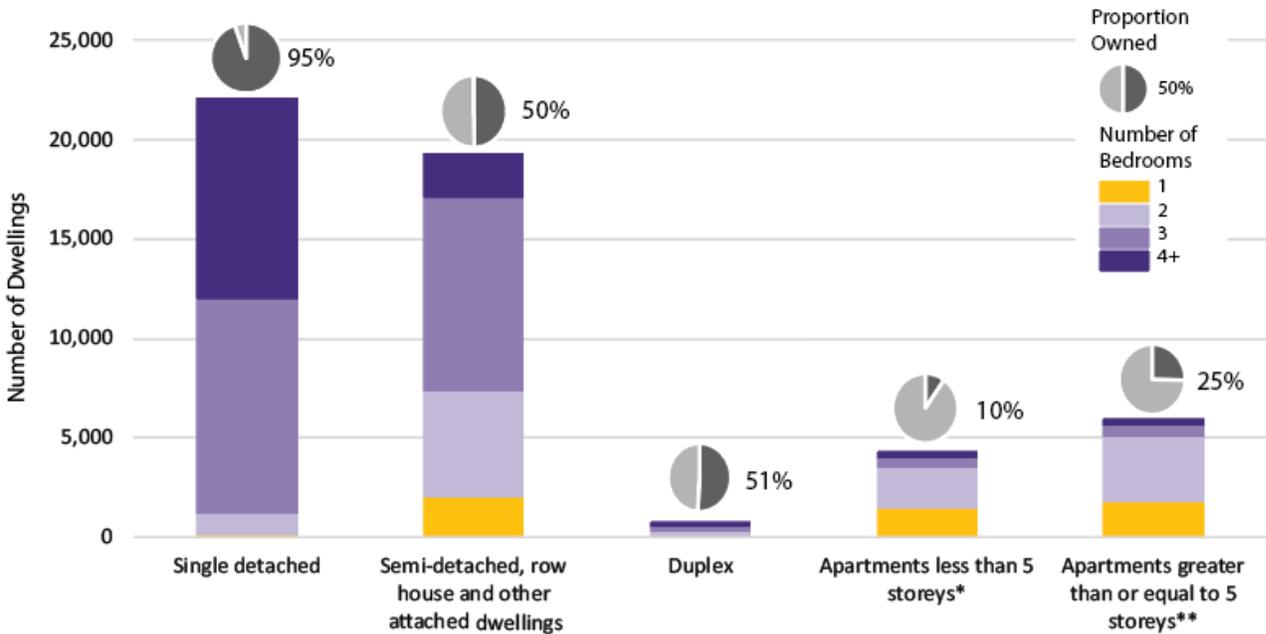
Construction of high density housing has increased for a variety of reasons, including limited availability of greenfield areas that traditionally supported low density development, high land costs that require denser development to ensure profitability, and local, Regional and Provincial intensification policies that encourage significant intensification around designated Nodes, Corridors and Major Transit Station Areas.

4.2.1 Ownership Housing

A significant proportion Waterloo's market housing supply is ownership housing. Home ownership rates directly align with the supply of different housing tenures, with ownership housing comprising approximately 69% of Waterloo's housing stock.

Homeownership is correlated with housing type, with low density housing more likely to be owned than rented. In 2016, the vast majority of Waterloo households living in single detached houses owned their house (95%), and half (50%) of households living in semi detached houses, row houses and duplexes, owned their dwelling unit. In contrast, households living in apartment buildings typically rented their dwelling units. Only about 10% of households in apartment buildings less than five storeys owned their units, while 25% of households in apartment buildings with five or more storeys owned their unit (Figure 21).

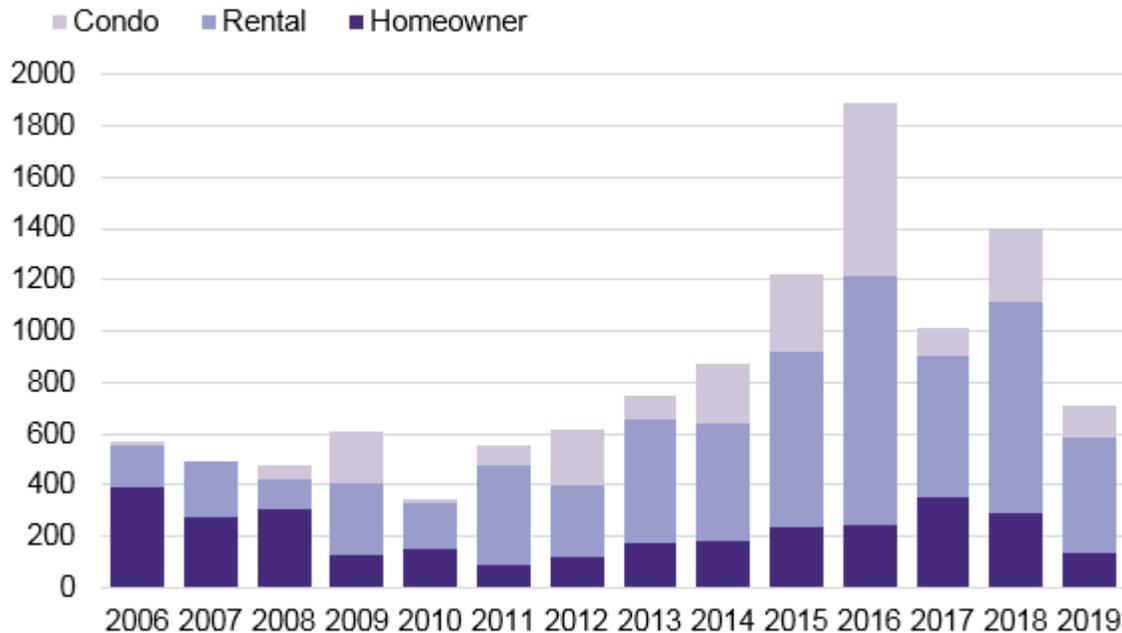
Figure 21. Occupied Private Dwellings by Type, Change between 2006 and 2016



Source: Statistics Canada Census, 2016

While Waterloo's homeownership rates remain fairly high, the type of ownership is changing. Historically, most housing in Waterloo was owned through freehold ownership. Freehold ownership refers to ownership that includes both the dwelling and the land on which the dwelling is situated and is the most common form of ownership involving single detached dwellings. With the growth in higher density dwellings, more households are turning to condominium ownership, which refers to ownership of an individual unit within a multi-unit building and shared ownership of common spaces (e.g. land or amenity spaces). Since 2010, growth in condo ownership has outpaced freehold ownership rates (Figure 22). This trend aligns with the greater proportion of multi-unit buildings and smaller proportion of low density housing forms constructed during that time.

Figure 22. Housing Unit Completions by Tenure, 2006-2019



Source: CMHC Housing Portal, 2020

4.2.2 Rental Housing

Rental housing comprised just over 30% (12,545 units) of the City’s housing stock in 2016. Rental housing stock includes both primary and secondary market rental housing as well as subsidized rental (e.g. Region of Waterloo Community Housing). Primary rental housing refers to private, purpose-built rental buildings containing three or more units, such as apartment buildings. Secondary rental housing is housing that is first purchased by an investor and then offered as a rental unit, and includes a wide range of dwelling types such as townhouses and condominium apartments.

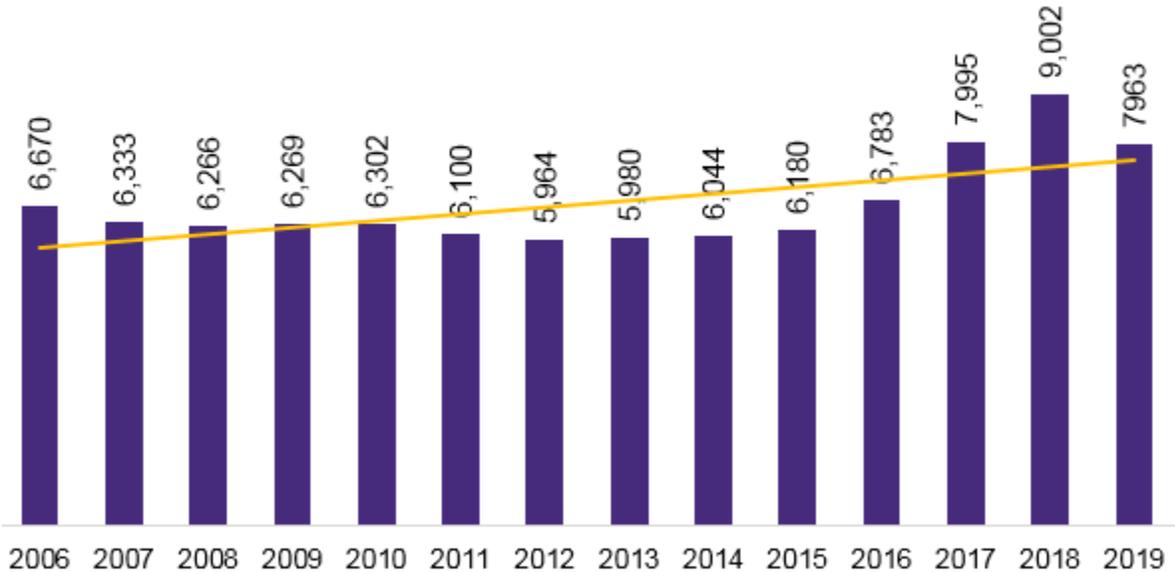
While primary rental units account for the majority of the City’s rental stock, a variety of factors point to a growing reliance on the secondary rental market to meet the demand for rental housing. Primary rental units tracked by CMHC reveal a significantly lower unit count (6,783 rental units in 2016) than the number of households reporting to have rented their units (12,550 rental households in 2016), leaving a discrepancy of 5,767 rental units that are not part of the primary rental market. The gap may be attributed in part to how CMHC classifies primary rental housing (which excludes student housing rented by the room), with the balance likely representing the secondary rental market.

Primary and secondary rental housing differ in terms of their contribution to the City’s rental housing supply, with the secondary rental market offering less housing stability to tenants compared with the primary rental market. Secondary rental housing can be more easily removed from the rental housing market through the execution of landlord use provisions (whereby owners remove a tenant when they require personal use of the unit) or the conversion of units to ownership when they become vacant. Reduced rental

housing supply reduces vacancy rates which in turn and can cause an overall inflation of rental prices. Secondary rental housing has also been found to be more expensive than primary rental on average, both locally and in housing markets within the Greater Toronto and Hamilton Area. For these reasons, the secondary rental market is viewed as a temporary means to fill voids in the rental market and to address the needs of certain household types, but it is not considered to be a long term solution in the development of adequate rental housing stock¹².

Between 2006 and 2019, Waterloo saw a 19% increase in its primary rental housing supply (Figure 23). Waterloo’s rental housing growth during this time period was comparatively strong relative to other jurisdictions in southern Ontario. Municipalities in the Greater Toronto Area CMA, for example, averaged a primary rental growth of only 3%. Despite positive, longer term growth, Waterloo’s total primary rental stock declined between 2018 and 2019. The decline is attributed in part to the conversion of purpose built rentals to condominiums and student apartment units that do not meet CMHC’s definition of a self-contained apartment unit.

Figure 23. Primary Rental Housing Supply, Waterloo 2006-2019



Source: CMHC Housing Portal, 2020

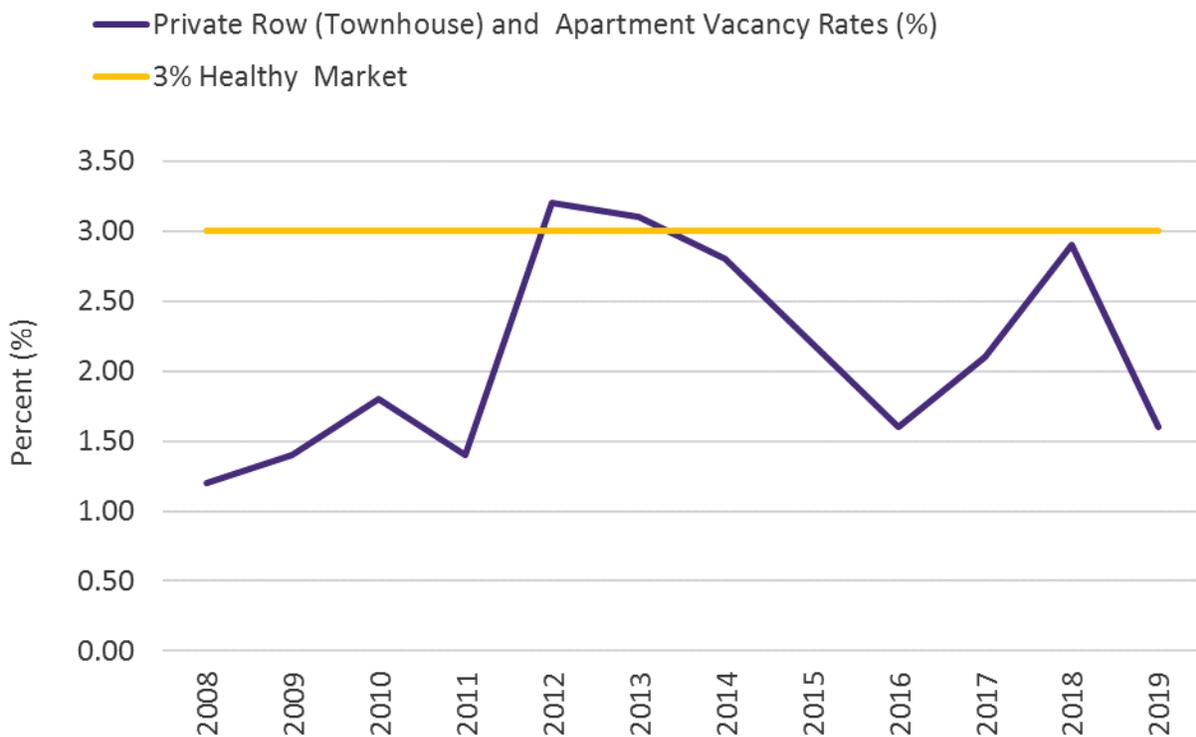
In the Kitchener, Waterloo and Cambridge area, CHMC estimates that about 30% of all condominium units become secondary rental units for some period of time. Across the three cities, these units add an additional 3,610 rental units to the market. In Waterloo

¹² Canadian Urban Institute and Evergreen. (2018). What is the Missing Middle? A Toronto housing challenge demystified. URL: https://www.evergreen.ca/downloads/pdfs/2018/What_is_the_Missing_Middle_Evergreen_CUI_s2.pdf
 Ryerson City Building Institute and Evergreen. (2017). Getting to 8,000: Building a healthier rental market for the Toronto Area. URL: https://www.evergreen.ca/downloads/pdfs/2017/Gettingto8000_Report-web.pdf

specifically, 30% of new condominium units would equal the addition of about 446 secondary rental units to the market since 2015.

A vacancy rate of 3% is considered to represent a healthy balance between rental housing supply and demand. With the exception of 2012 and 2013, Waterloo's vacancy rates for primary rental dwellings has been below 3%, indicating a possible deficiency in the supply (Figure 24). In 2019, Waterloo's vacancy rate was 1.6% while the vacancy rate for the Region as a whole for the same year was 2%. Waterloo's decline in vacancy rates from 3.1 to 1.6% is attributed in part due to reduced rental stock between 2018 and 2019. Low vacancy rates can make it difficult for renters to find suitable and affordable housing and can push rents upwards, although these effects may have been offset by growth in the secondary rental market.

Figure 24. Vacancy Rates, 2008-2019



Source: CMHC Housing Portal, 2020

4.3 Non-Market Housing Supply

Non-market housing is housing that is offered at a cost that is below what a person might be expected to pay in the regular housing market. The majority of Waterloo's non-market housing supply is rental housing that is offered to households at lower than average market rents. Non-market housing can also include housing that is temporary or transitional, such as shelters or housing that is offered for a short period of time to address a specific need. It can be fully or partially subsidized, and it can be rented or

owned. It is typically constructed and operated with financial support from Federal, Provincial and/or municipal governments.

The Region of Waterloo is designated by the Province as the Service Manager for housing and homelessness in the Region, and plays a lead role in the planning, administration, funding (including distribution of Federal or Provincial funds) and, in some cases ownership and operation, of existing and new non-market housing. Through agreements with various housing providers, the Region administers a total of 8,990 affordable housing units across Waterloo Region (Table 8). Most of these are located in Kitchener (4,541 units, 50%) and Cambridge (2,885 units, 32%). About 13% (1,188 units) of the units are located within the City of Waterloo.

Table 8. Region of Waterloo Affiliated Non-market Housing in Waterloo Region, August 2020

Municipality	Total Households		Affordable Housing (units)		Emergency Shelters (beds)	
	#	%	#	%	#	%
Cambridge	48,240	24%	2,885	32%	99	40%
Kitchener	92,217	45%	4,585	51%	146	60%
Waterloo	40,380	20%	1,188	13%	0	0%
Township of Wellesley	3,340	2%	35	0%	0	0%
Township of Wilmot	7,515	4%	105	1%	0	0%
Township of Woolwich	8,610	4%	150	2%	0	0%
Township of North Dumfries	3,530	2%	42	0%	0	0%
Region of Waterloo Total	203,835	100%	8,990	100%	245	100%

* Waterloo households do not include student population

Source: Region of Waterloo Housing Services, Statistics Canada Census, 2016

A small amount of non-market housing falls outside of the Region's housing portfolio. Included in this category are co-operative corporations that have funding agreements directly with the Federal government and not-for-profit organizations that fund housing exclusively through private donations. In Waterloo, these facilities provide approximately 100 additional affordable housing units, bringing Waterloo's total affordable housing unit count to 1,288 units.

4.3.1 Emergency Shelters and Transitional Housing

Emergency shelters and transitional housing are a form of non-market housing on the safety-net end of the housing model (Figure 2). Shelters provide immediate, short term beds to individuals (including youth) and families who would otherwise be homeless, while transitional housing provides individuals and families with slightly longer term housing to bridge the gap between emergency and permanent housing. While not typically considered to be a type of affordable housing, both emergency shelters and transitional housing play an important role in providing basic shelter to people in need.

While there are many social, economic and health factors that can lead to emergency shelter use, low income is almost always a factor. For this reason, shelters and transitional housing can play an important role in housing individuals and families when there is a shortage of alternative affordable housing.

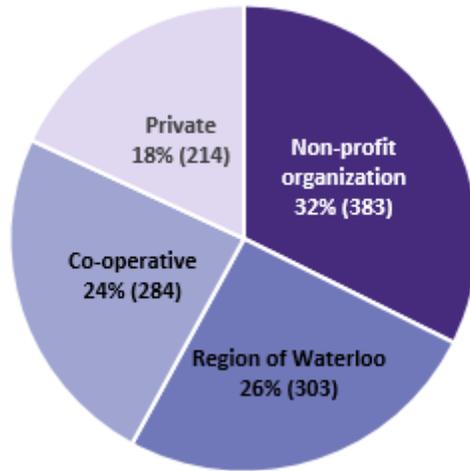
As of November 2020, 459 individuals across the Region were considered to be experiencing unsheltered homelessness. Prior to the COVID-19 pandemic, the Region funded the operation of six emergency shelters collectively providing a total of 245 beds, all of which were located within Kitchener and Cambridge. The facilities were available for use by any person residing in the Region, with overflow capacity accommodated through motel beds. Capacity pressures on the emergency shelter program due to the pandemic has caused the Region to transition away from the traditional shelter model to a dormitory-style shelter approach that makes use of short term rental housing and hotel vacancies. The Region recently opened two temporary shelters in the City of Waterloo that will collectively accommodate close to 200 individuals.

In addition to shelters, Waterloo has a small number of independently funded transitional housing facilities. These facilities collectively provide 38 beds for individuals and families requiring special supports such as pregnant and parenting youth and women who have completed an addiction treatment program.

4.3.2 Affordable Rental Housing

Affordable rental housing comprises the majority of non-market housing in the Region and about 3% of Waterloo's overall housing stock. Affordable rents include low-end of market, rent-g geared-to-income, and below average market rents. About 26% (303) of Waterloo's affordable housing units are owned and operated by the Region of Waterloo, through either Waterloo Region Housing (WRH) or Region of Waterloo Community Housing Inc. (ROWCHI) (Figure 25). These units are distributed across seven townhouse and low rise apartment complexes throughout the City and comprise about 11% of the Region's affordable housing holdings. The remaining 881 units are owned and operated by not-for-profit organizations, cooperatives and private housing providers. Housing providers typically receive some form of initial or ongoing financial support from the Region or Federal government in exchange for the provision of affordable rents for a specified duration of time.

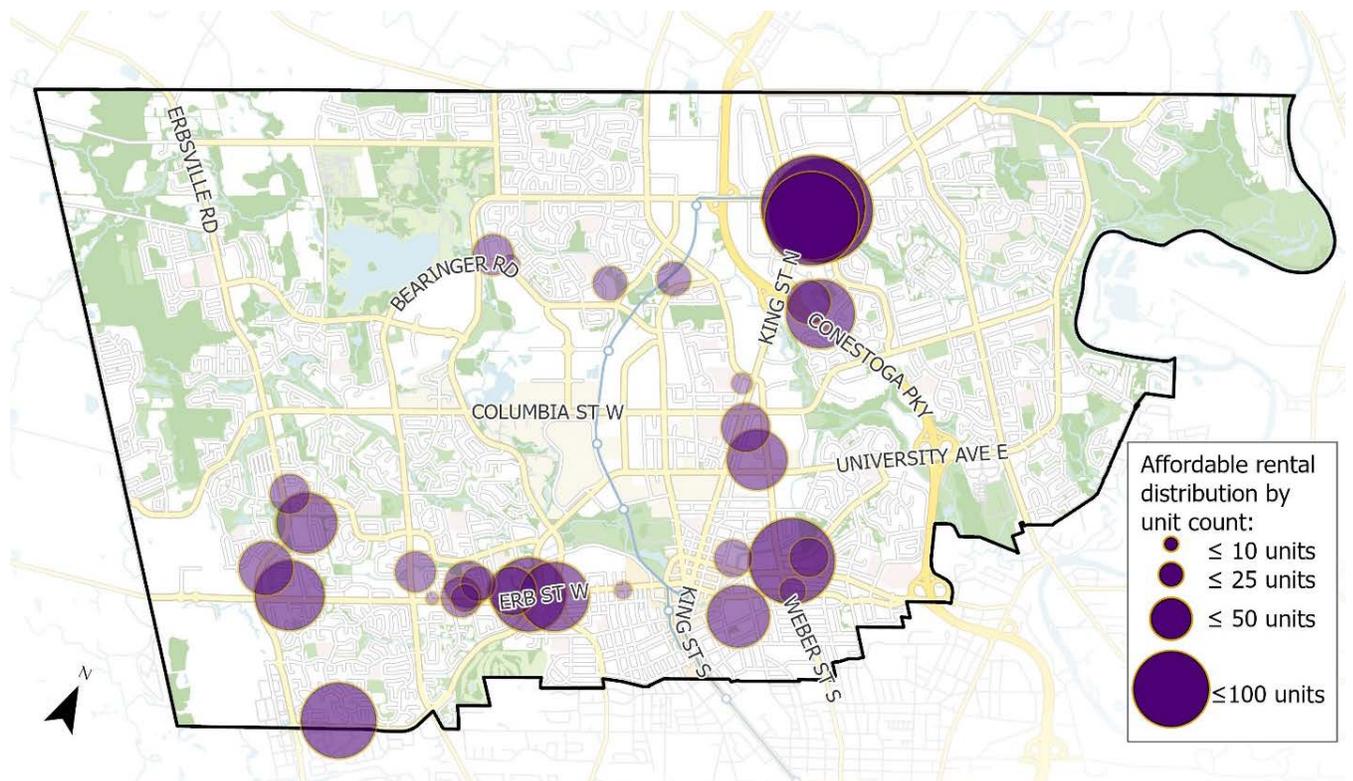
Figure 25. Affordable Housing Providers by Owner Type



Source: Region of Waterloo Housing Services

The City's existing affordable housing stock is located primarily along or in close proximity to Regional arterial roads such as King Street, Weber Street, Erb Street, and Bridgeport Road (Figure 26). These locations typically permit relatively high densities compared to other parts of the City and are located in close proximity to transit.

Figure 26. Distribution of Non-Market, Affordable Rental Housing in the City of Waterloo



The affordable rental housing stock spans a wide range of housing forms, from townhouses to high rise apartments. Older affordable housing complexes largely consist of lower density semi-detached and townhouses, and apartments under six storeys. Newer affordable housing is made up of a greater proportion of taller apartment buildings. Most units are one to three bedrooms, with a small number of larger units containing four and five bedrooms (Table 9).

Table 9. Affordable Housing in the City of Waterloo by Unit Size and Type, 2019

Unit Size	Private Rent Supplement	Below Average Market Rent Agreements*	Community Housing		Total
			Waterloo Region Housing	Non-Profit & Co-Op	
Bachelor	0	0	0	0	0
1-Bedroom	29	156	60	187	432
2-Bedroom	9	60	79	219	367
3-Bedroom	3	1	124	187	315
4-Bedroom	0	5	28	10	43
5-Bedroom	0	0	12	0	12
City of Waterloo Total	41	222	303	622	1,188
Region of Waterloo Total	400	1562	2,722	6,177	8,899

Source: Region of Waterloo Housing Services

4.3.3 Affordable Ownership

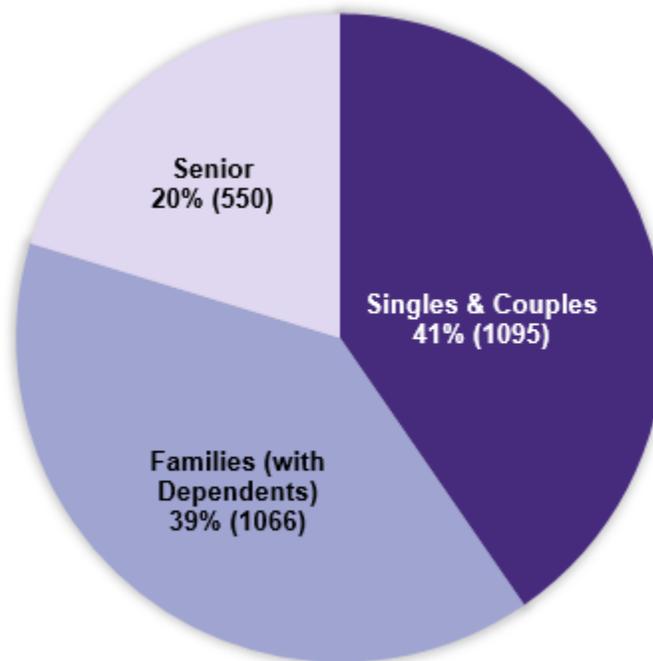
Affordable home ownership is supported by a number of government and not-for-profit organizations. The Region of Waterloo's home ownership program provides lower and moderate income home buyers (income of \$97,800 or less) with a loan of 5% of the down payment on a home. Ownership is also supported by Habitat for Humanity Waterloo Region, a not-for-profit organization that builds affordable ownership housing in partnership with lower income families. Habitat for Humanity houses are made available to families at a fair market value through an interest free mortgage and monthly mortgage payments geared to the families' incomes.

Relative to the supply of affordable rental housing, the supply of affordable ownership housing is fairly small. Over the past ten years, the Region of Waterloo program has supported the purchase of 37 houses in Waterloo, four of which were purchased in 2020. Habitat for Humanity constructed approximately 140 homes in the Region over the past 40 years.

4.3.4 Region of Waterloo Housing Waitlist

Demand for affordable housing in Waterloo and throughout the Region exceeds supply. In 2019, 2,711 households on the Waterloo Region Housing community housing waitlist specifically identified Waterloo as their community of preference. Singles & couples (41% or 1,095 households) comprised the largest number of households on the waitlist followed closely by families (with dependents) (39% or 1,066 households) (Figure 27). Senior households comprised the remaining 20% of households on the waitlist.

Figure 27. Waitlist for ROW Affordable Housing in Waterloo, 2019.



Source: Region of Waterloo Housing Services

Average wait times for affordable housing are significant and have increased since 2011 (Table 10). In 2017, the average wait time for a one bedroom senior unit was three years, while the average wait time for a one bedroom non-senior unit was just under eight years. The Region of Waterloo has attributed growing wait times to an increased demand for affordable housing and limited construction of new market and non-market affordable units.

Table 10. Average Wait Times for Community Housing, Waterloo Region (2011-2017)

Household Type	Wait Time 2011	Wait Time 2017	% Increase
Senior, 1-bed	1.3 years	3 years	127%
Non-senior, 1-bed	3.8 years	7.9 years	110%
Non-senior, 2-3 bed	1.8 years	2.8 years	52%
Non-senior, 4+ bed	2.1 years	3.5 years	68%

Source: Waterloo Region Housing Masterplan, 2019

4.4 Projected Housing Supply

Falling construction activity and sales in 2020 as a result of COVID-19 is expected to result in a decline in housing starts by 51% and 75%, respectively, in the second half of 2020 from pre-COVID-19 levels. CMHC forecasts housing construction to begin its recovery in the first half of 2021 as economic conditions improve.

Notwithstanding the anticipated slower pace of housing construction, some new supply is expected in the short term as housing developments move from approval stages through to construction (Table 11). Between January and August 2020, the City issued 159 building permits for a total of 825 new residential units (the average number of building permits issued between 2015-2019 was 1,190 units/year). Site plans approved since January 2020 are expected to yield 1059 units while those plans nearing approval will yield an additional 300 units. No residential subdivisions were approved since January 2020. Taken together, about 2,184 new units are expected to be added to Waterloo's housing supply over the next few years.

Table 11. Forecasted Additional Housing Units, 2020-2022.

Housing Type	Single/Semi Detached Dwelling	Townhouse	Second unit within or ancillary to existing dwelling	Multiples/ Apartment	Total Units	Total Bedrooms
Building Permits	83	21	25	696	825	1,437
Site Plans	0	0	0	1,359	1,359	1,676
Subdivisions	0	0	0	0	0	0
Total	83	21	25	2,055	2,184	3,113

Moderate residential development is forecasted over the longer term, with about 600 to 800 new units expected to be added to the City's housing supply each year (Table 12). A total of 7327 units are anticipated by 2029 and 15,778 new units are anticipated by 2041.

Table 12. Forecasted Additional Housing Units, 2020-2041

Year	Single/Semi Detached Dwelling	Townhouse	Multiples/ Apartment	Total Units
2020	291	91	321	703
2021	291	91	321	703
2022	303	108	305	716
2023	303	108	305	716
2024	303	108	305	716
2025	303	108	305	716
2026	303	108	305	716
2027	346	115	318	780
2028	346	115	318	780
2029	346	115	318	780
2030	346	115	318	780
2031	346	115	318	780
2032	319	100	267	687
2033	319	100	267	687
2034	319	100	267	687
2035	319	100	267	687
2036	319	100	267	687
2037	331	99	261	692
2038	331	99	261	692
2039	331	99	261	692
2040	331	99	261	692
2041	331	99	261	692
2020-2029	3,134	1,069	3,124	7,327
2020-2041	7,078	2,296	6,404	15,778

Source: Hemson Consulting Ltd., Development Charges Background Study, 2020

In addition to market housing, some non-market housing will be added to the housing supply over the next decade, subject to planning approval. These include:

- 693 Beechwood Drive – A development application submitted for this site which currently contains affordable cooperative housing proposes the construction of a new five storey apartment building containing 32 one-bedrooms affordable units;
- 555 Beechwood Drive – Owned by the Region of Waterloo, this site is the subject of a request for proposals for the creation and operation of rental units, of which at least 30% must be affordable;
- University Avenue East – This City owned property is the subject of a Request for Expressions of Interest for a new residential development. The successful proponent will be required to include affordable residential units and a mix of housing types within their broader development plan.

5.0 Housing Cost

5.1 Ownership Cost

In 2019, the average MLS sale price for a dwelling in Waterloo was \$534,905. Single detached houses were the most expensive dwelling type, averaging \$641,704. Condominiums were the least expensive dwelling type with an average sale price of \$357,135 (Table 13). Since 2019 housing prices have continued to grow. The benchmark price for a house in Waterloo in September 2020 was \$618,500, compared to the benchmark price of \$587,200 for the broader Kitchener-Waterloo area.

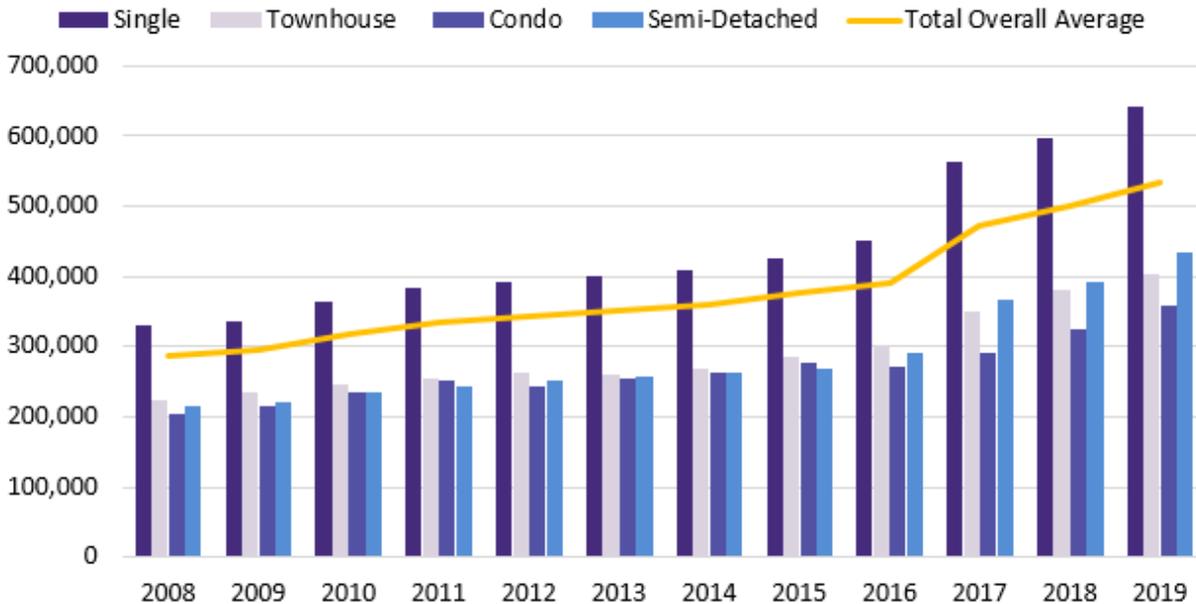
Table 13. Average Sale Price by Dwelling Type, 2019

Dwelling Type	Waterloo Average House Price
Single Detached	\$641,704
Semi-Detached	\$434,012
Townhouse	\$402,888
Condo Apartment	\$357,135
All Dwelling Types	\$534,905

Source: Kitchener-Waterloo Real Estate Association, 2019

The past few decades have seen substantial growth in housing prices across southern Ontario. In Waterloo, sale prices for all dwelling types grew by 81% between 2008 and 2019 (Figure 28). A cooling of the housing market in the first half of 2020 as a result of the COVID-19 pandemic had only a temporary impact on the local market, with sale prices rebounding in August 2020 in the Kitchener-Waterloo market area to 21% higher than previous year averages. House prices throughout the Region are expected to continue to climb due to high demand. Emerging trends from COVID-19 are also impacting housing supply, as individuals relocate from the GTA to Waterloo Region under remote work arrangements with their employers, consuming available housing units without adding to the local supply (i.e., selling a home elsewhere not locally).

Figure 28. Average House Prices in Waterloo, by Housing Type, 2008-2019



Source: Kitchener-Waterloo Real Estate Association, 2020

The average cost to purchase a home in Waterloo in 2019 (\$534,905) was slightly higher than the K-W real estate market average (\$527,718). Despite higher average ownership costs within the local market, Waterloo’s average home prices were still lower than the Provincial average of \$580,019. Ownership remains significantly more affordable in Waterloo than in the Greater Toronto Area, where the 2019 average selling price for a dwelling was \$837,788, and average price for a single detached dwelling was \$1,052,081.

Average house prices vary across the City. In 2019, average house prices were highest in the west and northeast neighbourhoods of the City (Table 14).

Table 14. Average Dwelling Sale Price by Location, Jan-Nov 2019

Neighbourhood	Single Detached	Townhouse/ Condo
Beechwood / University	\$777,902	\$350,603
Erbsville / Laurelwood	\$751,000	\$505,562
Colonial Acres / Eastbridge	\$747,631	\$521,244
Columbia Forest / Clair Hills	\$707,589	\$481,110
Upper Beechwood / Beechwood West	\$697,750	\$434,000
Lexington / Lincoln Village	\$684,601	\$425,657
Uptown Waterloo / Westmount	\$672,717	\$430,429
Westvale	\$590,668	\$431,996
Beechwood Forest / Highland West	\$584,536	\$422,630
Lakeshore North	\$555,371	\$392,441

Neighbourhood	Single Detached	Townhouse/ Condo
Lakeshore / Parkdale	\$539,009	\$270,007
Glenridge / Lincoln Heights	\$532,136	\$338,364
Uptown Waterloo/North Ward	\$506,694	\$428,909
Northfield	n/a*	\$325,000

Source: Kitchener-Waterloo Real Estate Association
*n/a - no residential sales during time period

5.2 Primary Rental Costs

In 2019, the average market rent for a purpose-built rental unit in Waterloo was \$1,296 per month (Table 15). Waterloo's average rents were the highest in the Region, with Waterloo renters spending on average 15% more on rent than renters in Kitchener or Cambridge. Bachelor apartment units exhibited the greatest geographic price difference, with Waterloo renters paying 34-35% more for a unit than renters in Kitchener or Cambridge. Higher rents in Waterloo are attributed in part to high demand driven by recent in-migration of households that typically rent (young workers and international students) and relatively low vacancy rates between 2018 and 2019¹³.

Table 15. Average Market Rent, Primary Rental Market, 2019

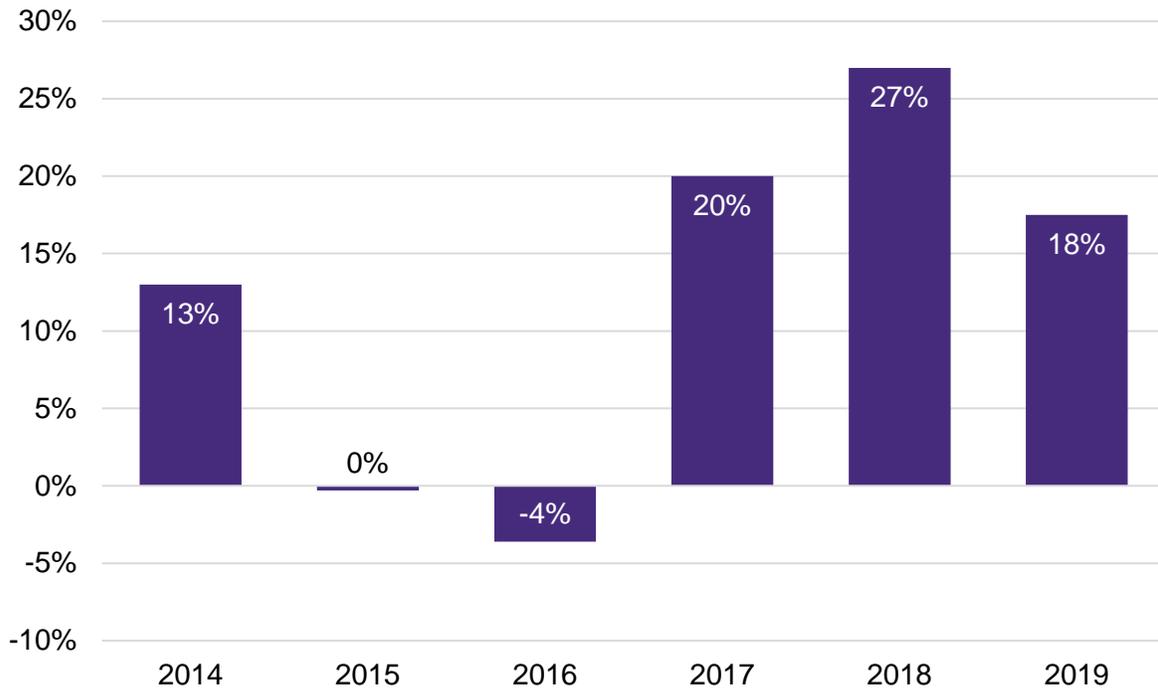
Unit Type	Waterloo	Kitchener	Cambridge	Ontario
Bachelor	\$1,032	\$772	\$763	\$1,019
1 Bedroom	\$1,197	\$994	\$1,029	\$1,179
2 Bedroom	\$1,354	\$1,196	\$1,178	\$1,335
3 Bedroom +	\$1,337	\$1,331	\$1,076	\$1,540
All	\$1,296	\$1,131	\$1,128	\$1,277

Source: CMHC housing portal

Waterloo's vacant rental units were 18% more expensive than occupied units in 2019 (Figure 29; Table 16). Price differences between occupied and vacant units can occur when landlords use vacancy as an opportunity to raise rents. Significant differences in rent between occupied and vacant units can reduce turn over rates as renters choose not to move into more suitable housing because asking rents are higher than what they are already paying.

¹³ CMHC (2020). Rental Market Report: Kitchener-Cambridge-Waterloo

Figure 29. Difference in Rental Costs (%) between Vacant vs Occupied Units, Primary Rental Market, 2014-2019



Source: CMHC

Table 16. Average Market Rent for Vacant and Occupied Units, Primary Rental Market, 2019

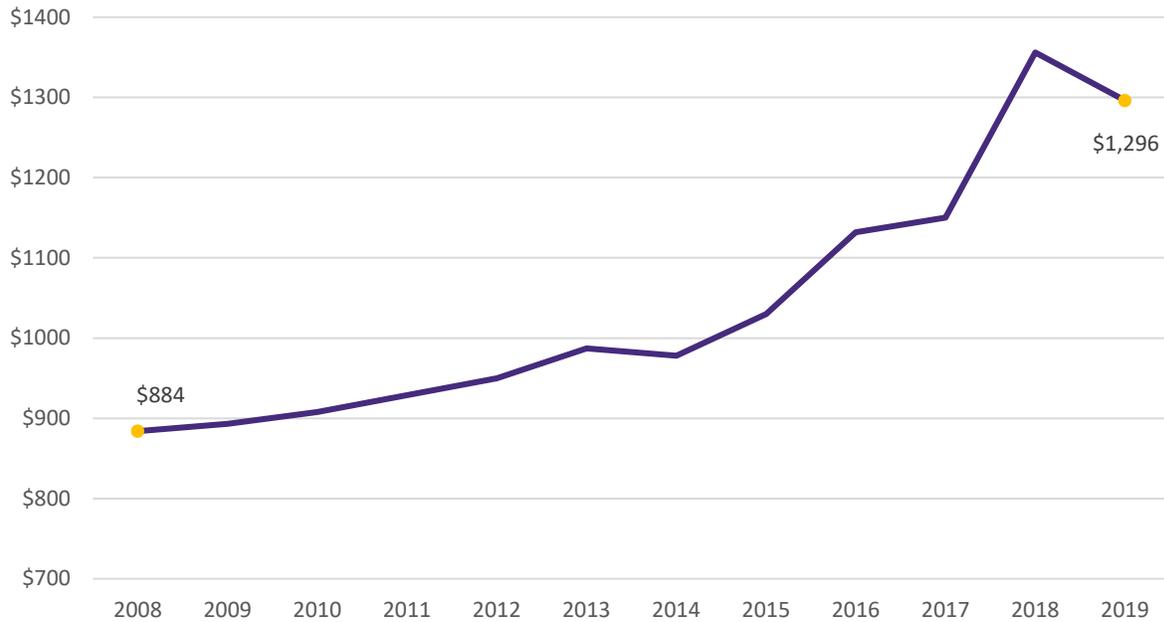
Unit Type	Occupied Units	Vacant Units	Average Market Rental
Bachelor	\$1,072	*	\$1,032
1 Bedroom	\$1,203	\$1,316	\$1,197
2 Bedroom	\$1,363	\$1,678	\$1,354
3 Bedroom +	\$1,425	*	\$1,337
All	\$1,532	\$1,304	\$1,296

Source: CMHC;

* Data suppressed to protect confidentiality or data not statistically reliable.

Market rents have increased over the past few decades (Figure 30). Since 2008, average market rents have increased by 53%. Year to year increases in rent between 2008 and 2019 have averaged 4%. In contrast, inflation during that same time period hovered at or below 2%.

Figure 30. Average Market Rent, Primary Rental Market, 2008-2019



Source: CMHC Housing Portal

5.3 Secondary Rental Costs

Secondary market rental units consist largely of condominium apartments. Across Canada, rent for secondary market condominium units has been found to be higher than rent for purpose-built apartment units¹⁴. While information about rent costs for the secondary rental market are unavailable for the City of Waterloo, data for Kitchener-Cambridge-Waterloo CMA suggests that secondary rental condominium units across Region are 24% more expensive, on average, than those in the primary market (Table 17).

Table 17. Comparison of Primary and Secondary Average Market Rents, Kitchener-Cambridge-Waterloo CMA, 2019

Unit Type	Primary Market Average Market Rent	Secondary Market Average Market Rent	% Difference
Bachelor	\$810	*	n/a
1 Bedroom	\$1,045	\$1,220	17%
2 Bedroom	\$1,231	\$1,588	29%
3 Bedroom +	\$1,300	*	n/a
All	\$1,163	\$1,441	24%

Source: CMHC; * Data not statistically reliable. |

¹⁴ CMHC (2020). Canada Rental Vacancy Rates are Down, Cost of Rent Increases. URL: <https://www.cmhc-schl.gc.ca/en/housing-observer-online/2020-housing-observer/canada-rental-vacancy-rates-down-while-rent-continues-increase>

5.4 Income and Homelessness

Low income and homelessness are closely correlated. Low income households that spend a large proportion of their incomes on housing are at higher risk of homelessness than other households and are more vulnerable than other households to changing economic trends and low vacancy rates for market and non-market rental housing. While low income is often not the only factor affecting homelessness, it can interact with other factors to increase the likelihood of homelessness.

The Region has seen a 73% increase in shelter use since 2016, as measured by the number of beds occupied per night. A total of 2,032 unique individuals from across the Region were recorded as having stayed in one of the seven, Region-funded emergency shelters during the 2018-2019 year period. Prior to the COVID-19 pandemic, the Region of Waterloo reported that demand for emergency shelters had grown to unsustainable levels which created significant capacity challenges¹⁵.

6.0 Housing Affordability Analysis

Planning for an adequate and affordable supply of housing requires an analysis of the interrelationships between current and future housing needs, the capacity of households to pay for housing, and the existing and anticipated supply, diversity, and costs of market and non-market housing. This section examines the household characteristics, incomes and market factors summarized in previous sections to characterize the affordability of Waterloo's current and future housing supply.

6.1 Measuring Affordability

Metrics for assessing housing affordability can yield information about a community's housing supply and how well that supply is meeting demand. This report uses three measurements of affordability to evaluate the supply and demand of affordable housing in the City.

- 1. Income to Shelter Cost Ratio** – The Income to Shelter Cost Ratio metric draws directly from the Provincial Policy Statement (2020) definition for affordable housing by comparing income to shelter costs. The metric evaluates the number and proportion of low or moderate income households that spend more than 30% of their gross household income on housing. When a low or moderate income household spends more than 30% of their income on housing, they can find it challenging to pay for other basic needs. The definition of affordable housing using this metric is relative to a household's income.
- 2. Affordable Price and Rent Thresholds** – The Province also defines affordable housing in terms of a threshold price or rent for a dwelling unit. Housing is considered to be affordable when the purchase price is at least 10% below the average purchase price of a resale unit in the regional market area, or when the

¹⁵ Region of Waterloo. (2019). 5 year Review of the Waterloo Region 10 year Housing and Homelessness Plan.

rental rate is at or below the average market rent of a unit in the regional market area.

The Provincial definition uses the above two metrics - the income to shelter cost ratio and an affordable price and rent threshold - to calculate whether or not housing is affordable. The definition selects the lesser of the two to define affordability.

- 3. Core Housing Need** – The Core Housing Need metric is a more nuanced measurement of affordability because it considers additional housing standards and the capacity of households to improve their housing situation (i.e. the availability of choice). A household is considered to have Core Housing Need if its housing falls below any one of the standards for affordable, suitable, or adequate housing, and for which alternative housing that meets these standards would exceed 30% of the household's gross income. Housing is considered to be unsuitable if it doesn't have enough bedrooms for the size and composition of resident households according to National Occupancy Standard (NOS) requirements. Inadequate housing is housing that requires major repairs as reported by the household residents. The metric excludes non-family households with at least one maintainer aged 15 to 29 attending school (e.g. student households), regardless of their housing circumstances since attending school is considered a transitional phase, and low incomes earned by student households are viewed as being a temporary condition. Like the income to shelter cost ratio, affordable housing under this definition is relative to a household's income.

When used to calculate the number of households living in unaffordable housing, the first two metrics each capture a larger number of households than is captured by the Core Housing Need metric. This is because the income to shelter cost ratio includes households that may have chosen housing that exceeded 30% of their household income even though other suitable, adequate and affordable options were available to them. Core housing need, on the other hand, discounts those households who have chosen to spend more than 30% of their income on housing, but could afford a different suitable, adequate unit in the community. For this reason, Core Housing Need is a better measure of how well the existing housing supply meets a household's most basic housing needs. In contrast, the ratio of income to shelter costs measures the sufficiency of the housing supply to meet basic needs as well as the ability of households to find housing that matches their preferences for certain housing types, sizes, tenures and locations.

6.2 What Does Affordable Mean in Waterloo?

Affordable ownership housing is considered to be the least expensive of: a) housing for which the purchase price results in annual accommodation costs which do not exceed 30% of the gross annual household income for low and moderate income households; or b) housing for which the purchase price is at least 10% below the average purchase price of a resale unit in the regional market area. Table 18 shows the different purchase prices that meet each of these definitions. The least expensive of the two values is \$354,899, which is considered to be the maximum price for a dwelling to be considered affordable in Waterloo.

Affordable rental housing is considered to be the least expensive of: a) a unit for which the rent does not exceed 30% of gross annual household income for low and moderate income households; or b) a unit for which rent is at or below the average market rent of a unit in the regional market area. Rents meeting these definitions are presented in Table 18. The least expensive of the two, and therefore the rent that meets the definition of affordable, is \$1,296/month.

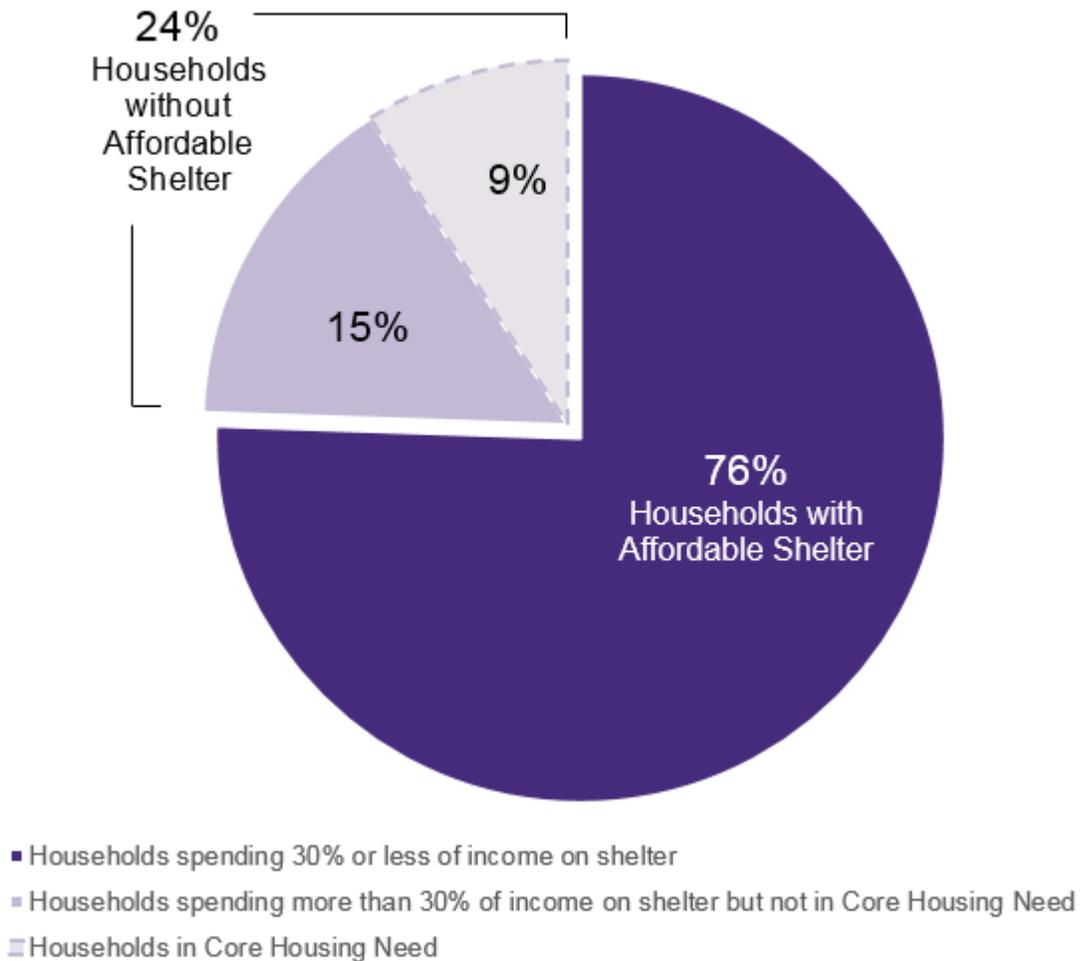
Table 18. Affordable Housing Prices and Rents in Waterloo, 2019

Definition of Affordable	Price/Rent as per Definition	Affordable House Price/Rent Threshold in Waterloo
Ownership Housing:		
the least expensive of:		
a. housing for which the purchase price results in annual accommodation costs which do not exceed 30% of gross annual household income for low and moderate income households; <i>or</i>	\$354,899	\$354,899
b. housing for which the purchase price is at least 10% below the average purchase price of a resale unit in the regional market area	\$572,584	
Rental Housing:		
the least expensive of:		
a. a unit for which the rent does not exceed 30% of gross annual household income for low and moderate income households; <i>or</i>	\$2,504/month	\$1,296/month
b. a unit for which the rent is at or below the average market rent of a unit in the regional market area.	\$1,296/month	

6.3 Whose Housing Needs Are Not Being Met?

In 2016, almost one quarter (9,525) of Waterloo’s housing stock met the income to shelter cost ratio definition of unaffordable (Figure 31). This housing was occupied by low to moderate income households who spent more than 30% of their household income on their dwelling unit. The proportion of households living in unaffordable housing was comparable to the proportion reported for the Region as a whole (23%). Waterloo households living in unaffordable housing rose in proportion slightly between 2006 (22%) and 2016 (25%). Given the significant growth in housing costs relative to incomes, the prevalence of households living in unaffordable housing is expected to have grown since 2016.

Figure 31. Proportion of Waterloo Households with Affordable and Unaffordable Shelter, 2016



Source: Statistics Canada Census, 2016

During that same time period, 9% of Waterloo households (3,480) were in Core Housing Need. Households in Core Housing Need experience the deepest housing affordability challenges because they are unable to find alternative housing that they can afford and that meets their needs. Households in Waterloo that were in Core Housing Need had a median gross household income of \$24,133 and median monthly shelter costs of \$955. The median household in Core Housing Need spent 46% of its gross household income on shelter.

The proportion of Waterloo households in Core Housing Need (9%) was lower than that for the Region of Waterloo (11%), Ontario (15%) and Canada (13%). Core housing Need in Waterloo has increased slightly since 2011, from 7% to 9%.

Affordability challenges are most prevalent for households at the bottom of the income range. Within the lowest income decile, as many as 4,175 households (91%) spent more than 30% of their incomes on housing in 2016 (Table 19). Over half of households in the low income category (2,675 households) spent more than 70% of their household income on shelter. A total of 7,750 (66%) households in the low income category spent 30% or more of their 2015 gross income on housing (Figure 32).

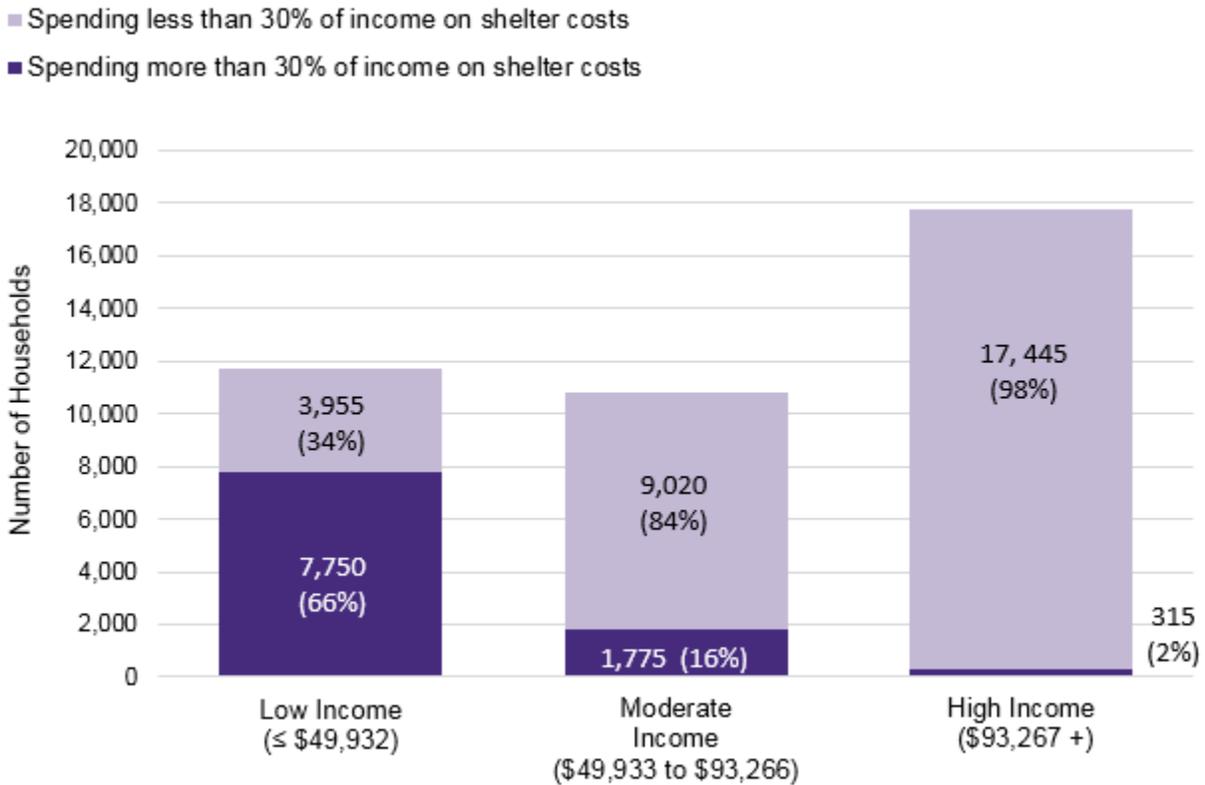
While low income households were more likely than other income groups to have housing affordability challenges, a sizable portion of moderate income households also spent more than 30% of their incomes on housing. A total of 1,775 (16%) households in the moderate income category spent 30% or more of their gross annual income on shelter. These households were less likely than low income households to experience deep affordability challenges. For example, only 1% to 3% of moderate income households spent more than 50% on housing. Although a small proportion of high income households also spent more than 30% of their household incomes on shelter, housing affordability was not considered to be a challenge for these households since they were likely to have alternative, affordable housing choices available to them.

Table 19. Proportion of Households Spending more than 30%, 50% and 70% of Income on Shelter, by Decile Category, 2016

Income Category	Decile	Spending 30%+	Spending 50%+	Spending 70%+
Low Income	1	91%	73%	58%
	2	62%	23%	10%
	3	38%	9%	2%
Moderate Income	4	27%	3%	1%
	5	14%	1%	0%
	6	9%	1%	0%
High Income	7	5%	0%	0%
	8	2%	0%	0%
	9	1%	0%	0%
	10	0%	0%	0%

Source: Statistics Canada Census, 2016

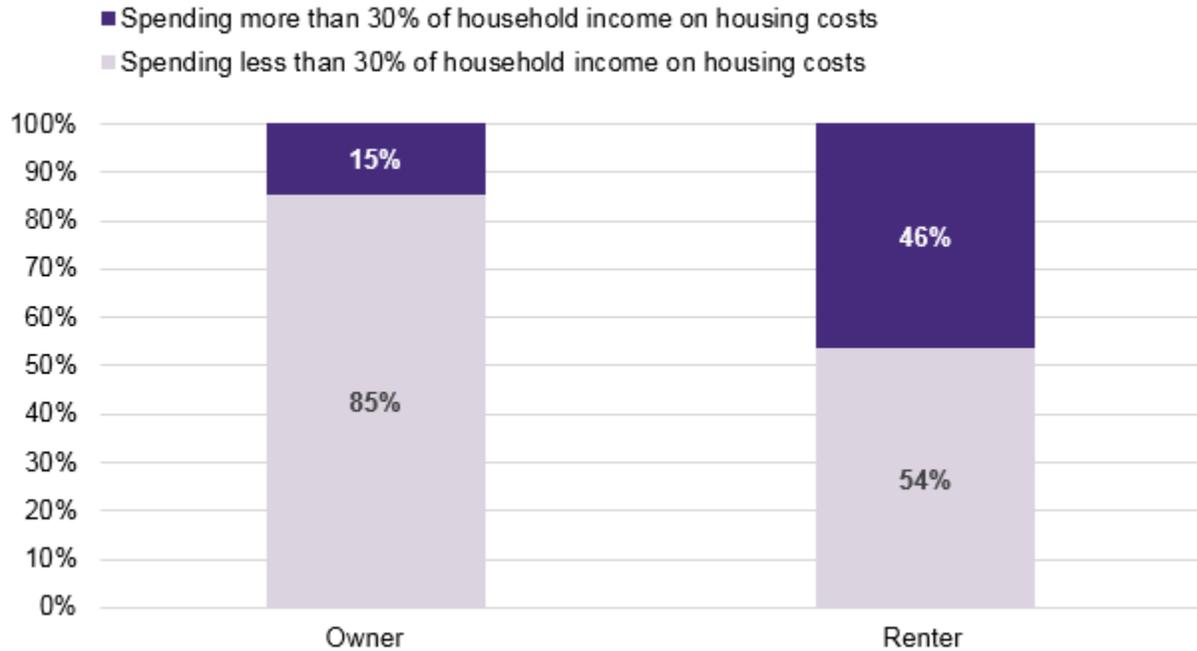
Figure 32. Spending on Housing by Low, Moderate and High Income Households, 2016



Source: Statistics Canada Census, 2016

Renter households are more likely to face affordability challenges than home owners (Figure 33). Almost half of renter households in the low to moderate income deciles spent more than 30% of their household income on shelter. In contrast, only 15% of low to moderate income households that owned their homes spent more than 30% of their income on shelter.

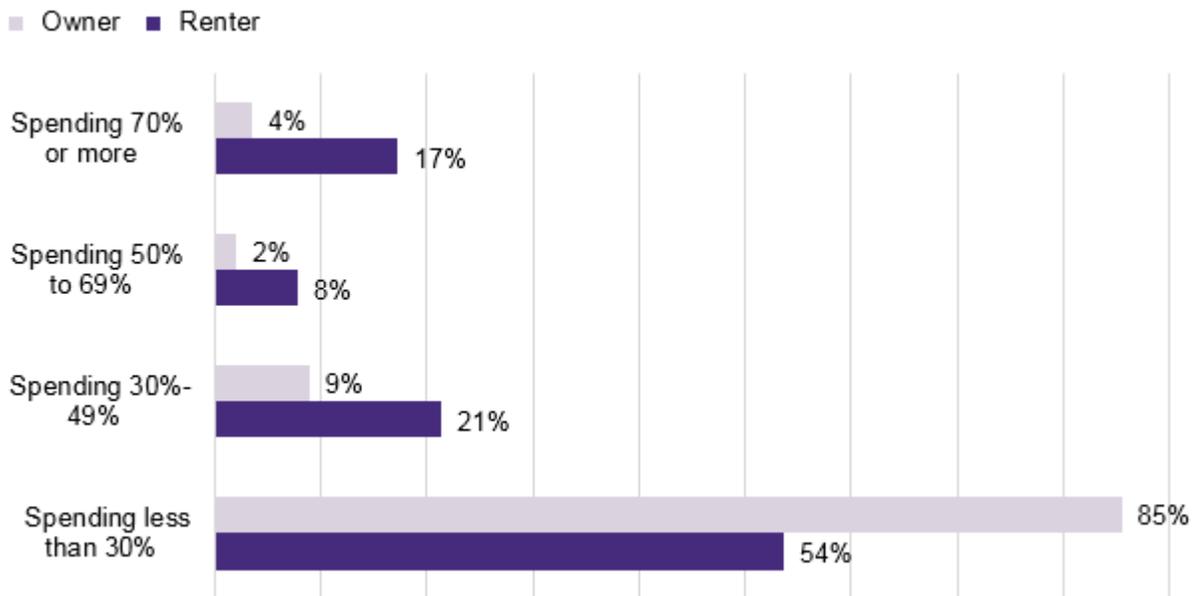
Figure 33. Housing Affordability for Renter and Owner Households, 2016



Source: Statistics Canada Census, 2016

A sizeable proportion of renter households spent significantly more than 30% of their incomes on shelter (Figure 34). As much as 17% of renter households spent more than 70% of their income on housing in 2016, compared to 4% of owner households.

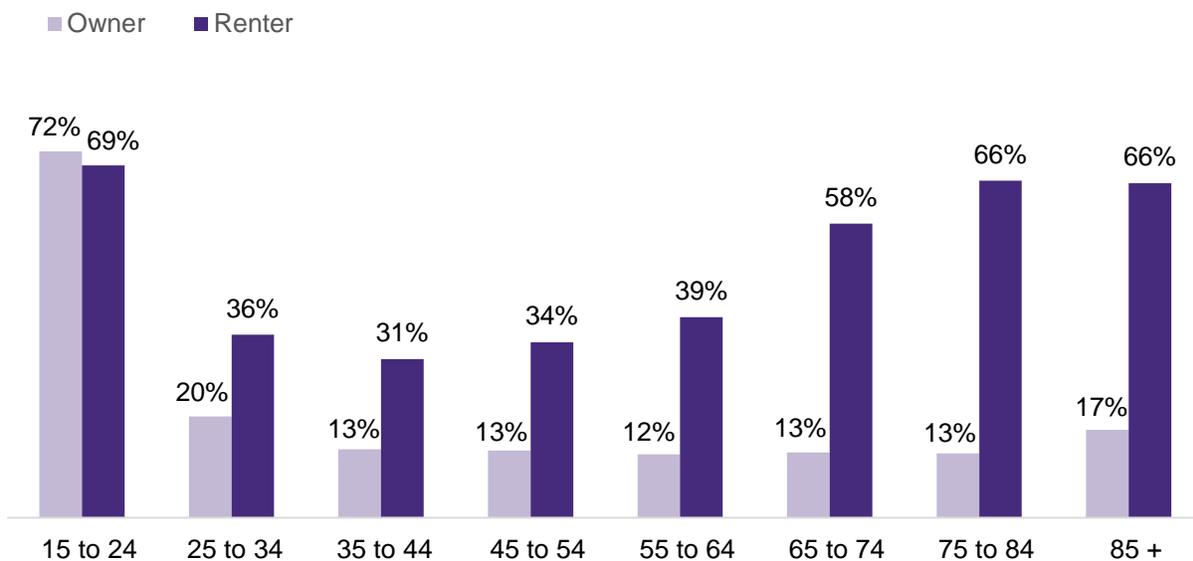
Figure 34. Housing Affordability for Renter and Owner Households by Income Spending, 2016



Source: Statistics Canada Census, 2016

Younger and older households were most likely to face housing affordability issues (Figure 35). Young households with a primary household maintainer of 15-24 years old had very high unaffordability rates, regardless of whether they owned or rented (72% and 69%, respectively). Importantly, these households did not include the majority of post-secondary student households, since domestic students are considered by Statistics Canada to be residents of households in their communities of origin. Unaffordability was also a significant challenge for older, renting households, with two thirds of households whose primary maintainer is 75 years or more living in unaffordable rental housing.

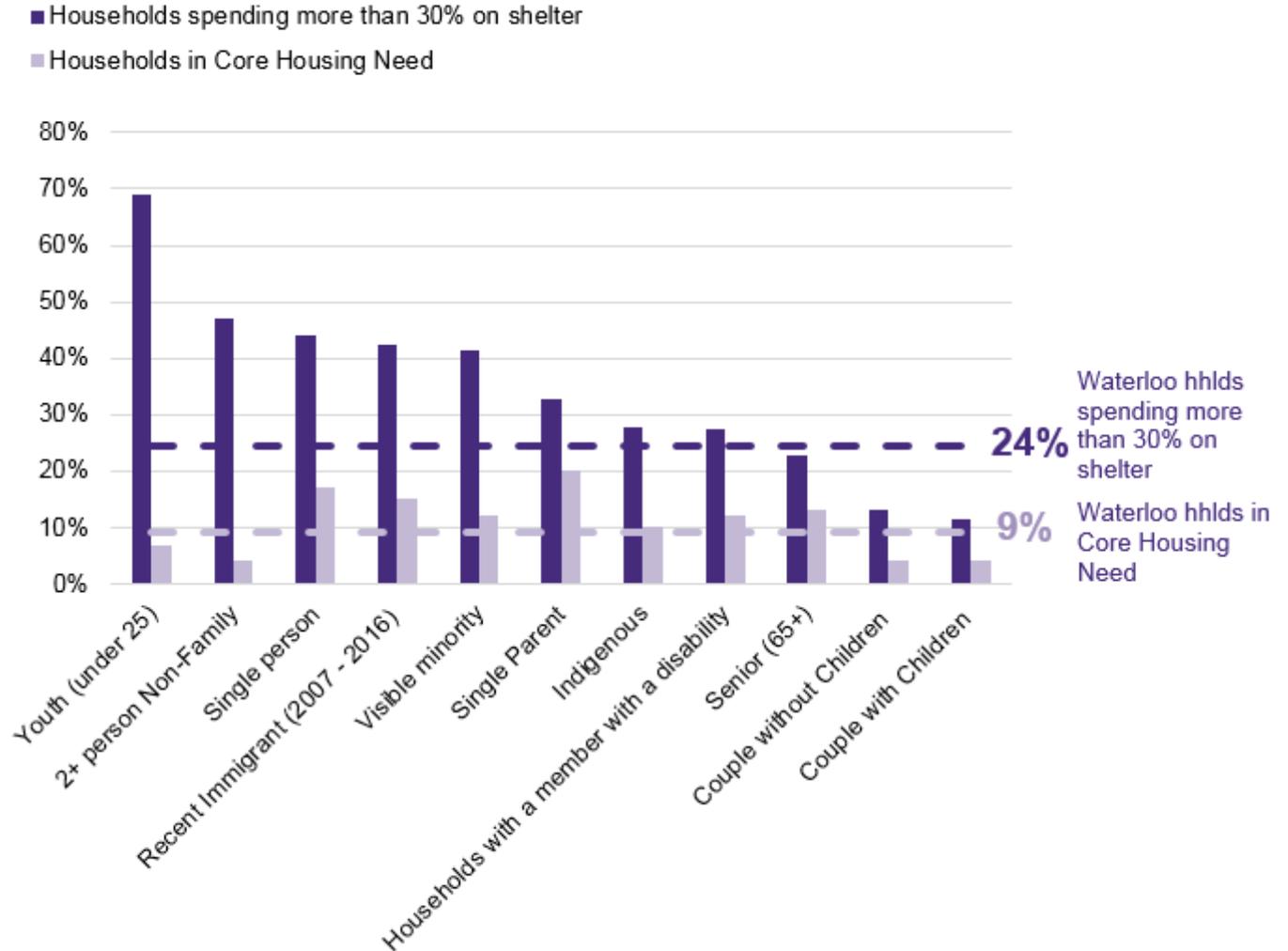
Figure 35. Low and Moderate Income Households Spending 30% or more of Income on Shelter, by Age and Tenure, 2016



Source: Statistics Canada Census, 2016

Households with single earners, those with a member who has a disability, and those whose primary household maintainers are recent immigrants, visible minorities or indigenous were all more likely than the average household to spend more than 30% of their income on shelter (Figure 36). While affordability was a challenge for all of these household types, only some were found to have a higher than average incidence of Core Housing Need. Households with the highest rate of Core Housing Need were single parent households, at a rate of 20%.

Figure 36. Affordability and Core Housing Need by Household Type, 2016



Source: Statistics Canada Census, 2016

6.3.1 Home Ownership and Income

A comparison of adjusted incomes (2015 incomes in 2019 dollars) and average 2019 house resale prices reveals that home ownership is out of reach for most of Waterloo's lowest income households and many of its medium income households (Table 20). In 2019, the average price for a single detached house was \$641,704, which was affordable to only those households in the Region's top two income deciles, or about 26% of Waterloo households. An average priced townhouse (\$402,888) or condominium apartment (\$357,157) was affordable to households in the 7th income decile or higher, representing 44% of Waterloo households.

Table 20. Household Incomes and Average Dwelling Prices, 2019

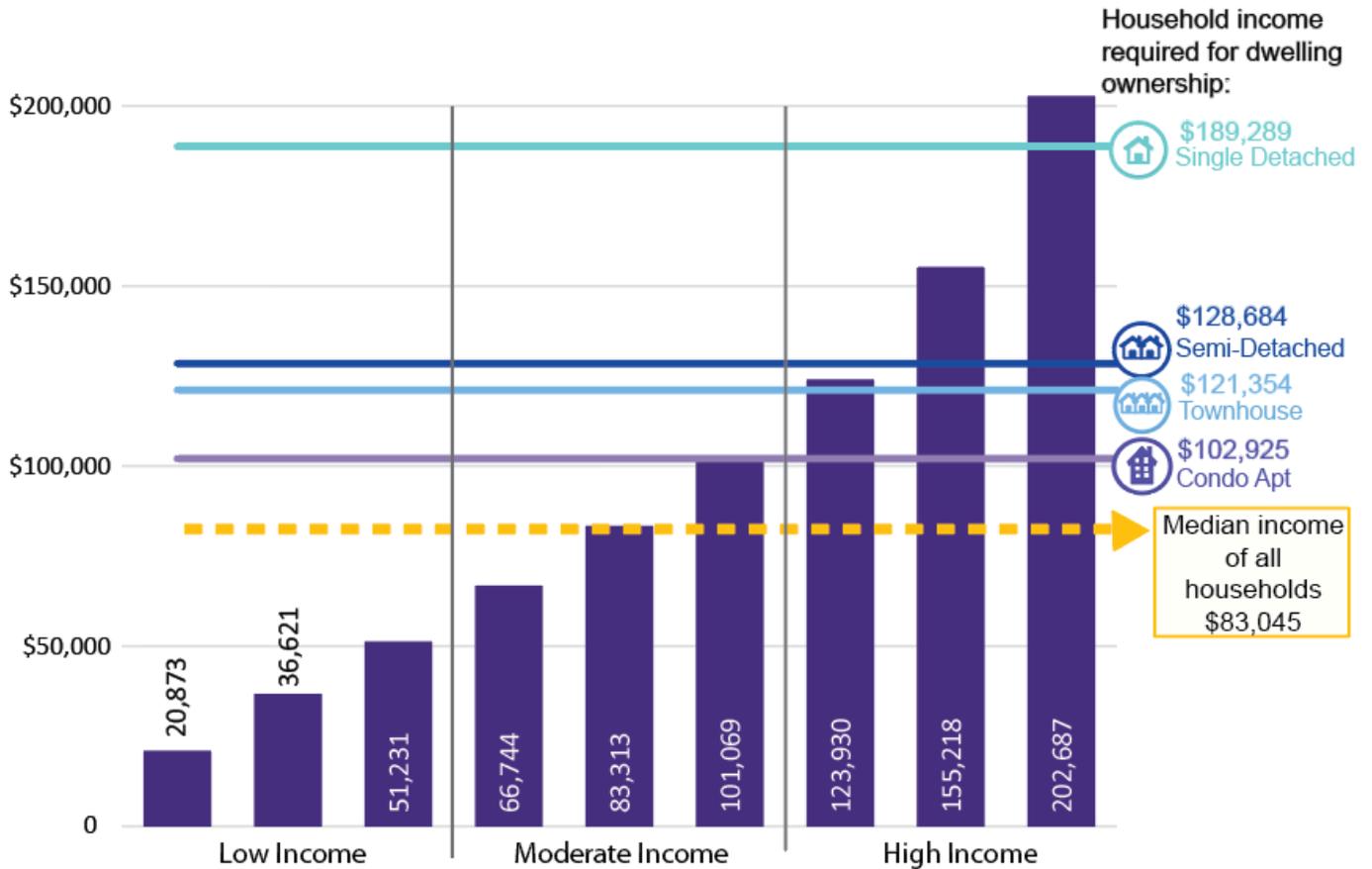
NO indicates that a household can not afford the average sale price without spending more than 30% of their household income. YES indicates that a household can afford the average sale price without spending more than 30% of their household income.

	Decile	Max Hhld Income (2019 adjusted)	Max Affordable House Price	Average MLS Price *Rolling 12 months average price as of December 2019				
				Total	Single	Semi	Townhouse	Condo
				\$534,905	\$641,704	\$434,012	\$402,888	\$357,157
Low Income	1	\$25,037	\$88,714	NO	NO	NO	NO	NO
	2	\$40,021	\$141,808	NO	NO	NO	NO	NO
	3	\$53,623	\$190,004	NO	NO	NO	NO	NO
Moderate Income	4	\$67,939	\$240,731	NO	NO	NO	NO	NO
	5	\$83,299	\$295,157	NO	NO	NO	NO	NO
	6	\$100,159	\$354,899	NO	NO	NO	NO	NO
	7	\$119,993	\$425,177	NO	NO	NO	YES	YES
High Income	8	\$146,705	\$519,827	NO	NO	YES	YES	YES
	9	\$190,099	\$673,583	YES	YES	YES	YES	YES
	10	\$190,100+	\$673,584+	YES	YES	YES	YES	YES

Source: Statistics Canada Census, 2016; Kitchener-Waterloo Real Estate Association, 2019

Figure 37 contrasts the incomes required for home ownership to the median income level for all households and the median income levels for households within each income group. Ownership of an average market rate dwelling was unaffordable for households at the median income level of \$83,045. An average priced single detached house in Waterloo in 2019 would require an annual income of more than double the projected 2019 median income of \$189,280. Incomes required to purchase a semi-detached house or a townhouse in 2019 were \$128,684 and \$121,354, respectively, and exceeded the median incomes of households in all but the high income category. Condominium units required the lowest household income of \$102,925, but that income still exceeded the median incomes of low and moderate income households.

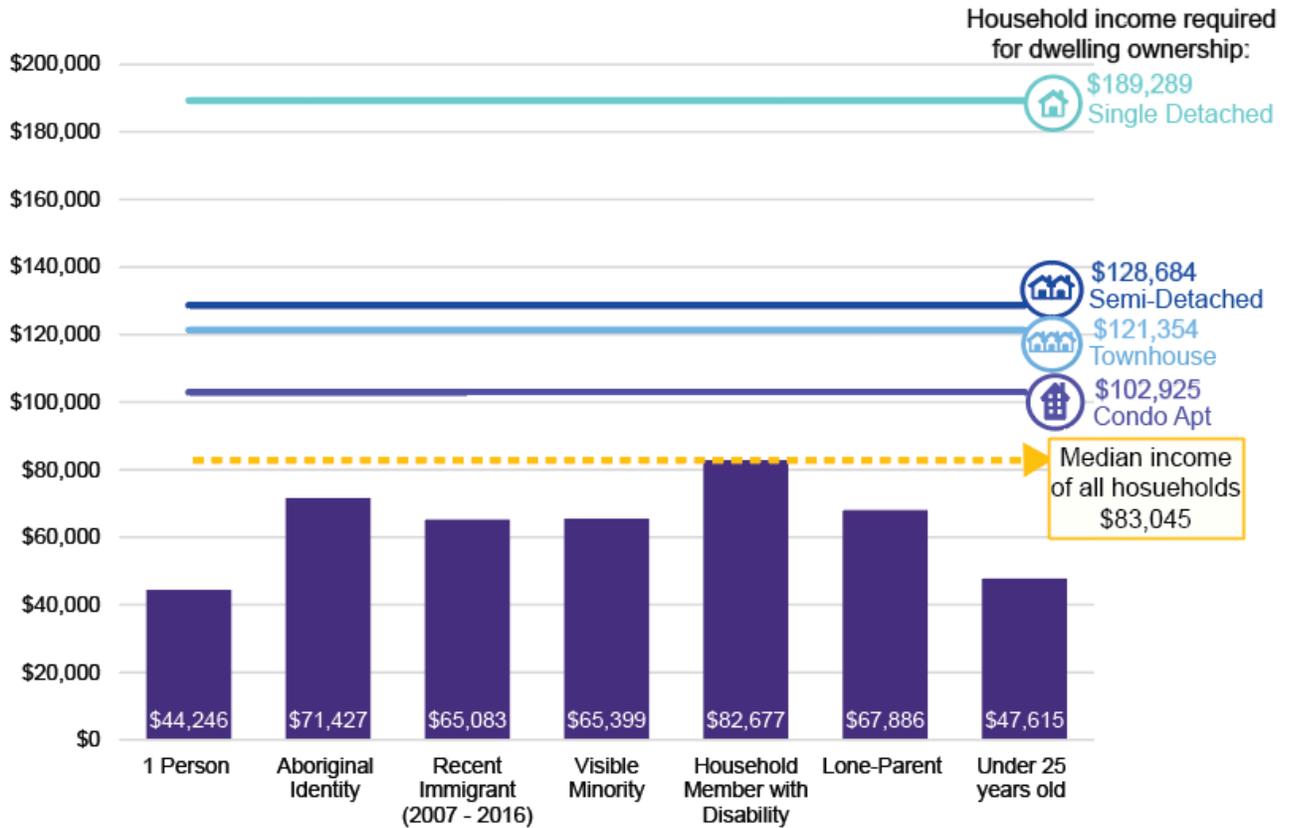
Figure 37. Household Incomes Required for Home Ownership Compared to Median Incomes across Income Groups, 2019



Source: Statistics Canada Census, 2016; Kitchener-Waterloo Real Estate Association, 2019
 *House prices are based on the MLS 2019 rolling average price

Variability in incomes across household types means that home ownership is less affordable for certain households (Figure 38). Average house prices were unaffordable to median income households whose primary maintainers were: single, indigenous, a recent immigrant, a visible minority, 25 years of age or under, or a single parent. Home ownership was also unaffordable to households with a member with a disability.

Figure 38. Household Incomes Required to Own a Dwelling at Average Market Value, 2019



6.3.2 Rental and Incomes

Rental housing is typically more affordable than home ownership. A comparison of 2019 average market rents and adjusted household incomes in Table 21 reveals that rental units were affordable relative to incomes for some low income households and all moderate and high income households. Despite the greater affordability of rental housing, average market rents for all apartment types were still unaffordable to households in the lowest two income deciles, or about 20% (8,668) of Waterloo’s households. Average market rents also exceeded the maximum rent that a household making minimum wage could afford.

Table 21. Household Incomes and Average Market Rents, 2019

NO indicates that a household can not afford the Average Market Rent without spending more than 30% of their income, YES indicates that a household can afford the Average Market Rent.

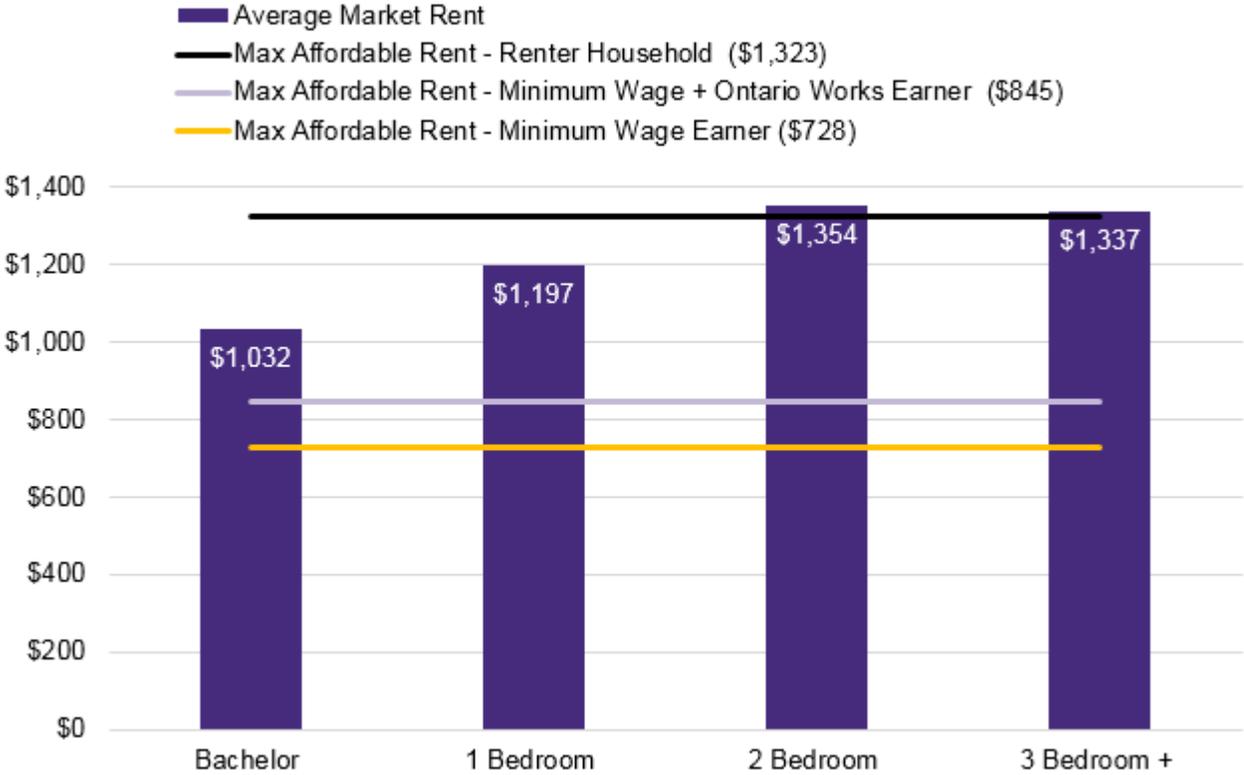
	Decile	Max Hhld Income (2019 adjusted)	Max Affordable Rent	Bachelor	1 Bedroom	2 Bedroom	3 Bedroom +
				\$1,032	\$1,197	\$1,354	\$1,337
Low Income	1	\$25,037	\$626	NO	NO	NO	NO
	2	\$40,021	\$1,001	NO	NO	NO	NO
	3	\$53,623	\$1,341	YES	YES	NO	YES
Moderate Income	4	\$67,939	\$1,698	YES	YES	YES	YES
	5	\$83,299	\$2,082	YES	YES	YES	YES
	6	\$100,159	\$2,504	YES	YES	YES	YES
	7	\$119,993	\$3,000	YES	YES	YES	YES
High Income	8	\$146,705	\$3,668	YES	YES	YES	YES
	9	\$190,099	\$4,752	YES	YES	YES	YES
	10	\$204,147+	\$4,752+	YES	YES	YES	YES
Minimum Wage		\$29,120	\$728	NO	NO	NO	NO

Source: Statistics Canada Census, 2016; CMHC

*Higher average market rents for two bedroom units compared to and three+ bedroom units may be the result of differences in the age and target market of the existing rental unit stock (e.g. recent construction of new high prices, 2 bedroom rental units).

Figure 39 evaluates a subset of Waterloo households and their ability to afford average market rents. These households include renting households (median income: \$52,927), households whose sole income earners make minimum wage (\$29,120), and households whose sole income earners make minimum wage and have Ontario Works income support (\$33,800). Average market rents for all unit sizes exceeded the maximum rent that a household making minimum wage (without or without Ontario Works) could afford. A median income renting household could afford a bachelor and one bedroom apartment at average market rents, but would be more challenged to afford the average market rent for a larger unit.

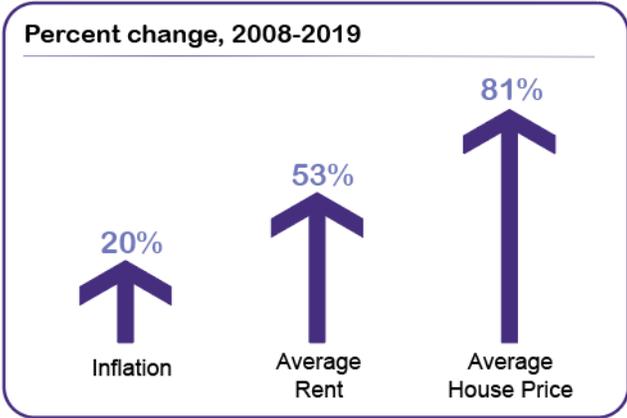
Figure 39. Household Incomes and Average Market Rents, 2019



Source: Statistics Canada Census, 2016; CMHC

In recent years, the annual rate of increase in the cost of housing significantly exceeded the rate of income growth, creating affordability challenges for both owners and renters (Figure 40). Between 2008 and 2019, the average sale price for residential dwellings in the regional market area grew by approximately 81% and average rents grew by 53%. Over that same period, incomes are estimated to have only increased at the rate of inflation (20%).

Figure 40. Rate of Growth Inflation vs Housing Costs between 2008 and 2019



7.0 Key Findings

Housing affordability is a challenge for almost one quarter of Waterloo households.

As many as 9525 (24%) low and moderate income households in Waterloo spent more than 30% of their income on housing (either rental or ownership) in 2016. Affordability was the greatest challenge for the 3,480 households identified as being in Core Housing Need. These households often live in unaffordable, inadequate or unsuitable housing and have insufficient incomes to improve their housing situation. Half of the households in Core Housing Need spent at least 46% of their gross household income on shelter needs.

Entering the housing market at current prices is unaffordable to almost 75% of Waterloo households.

A comparison of projected incomes and average sale prices for 2019 reveals that the majority of Waterloo households could not afford the average sale price of a home in Waterloo. Single detached houses were the least affordable housing option, requiring a household income of \$189,280, which was well over Waterloo's median household income of \$83,045.

Average market rent is unaffordable to more than 20% of Waterloo households.

More than one fifth of Waterloo's households could not afford an average rental unit in Waterloo, based on projected incomes and average market rent for 2019. Waterloo's 2019 average market rent was the highest in the Region, exceeding rates in both Kitchener and Cambridge. Average market rent exceeded the maximum rent that a household making minimum wage could afford.

If trends continue, housing will become increasingly unaffordable for a greater proportion of the population.

In recent decades, rising housing costs have significantly outpaced income growth, creating affordability challenges for both owners and renters. Concurrent with the decreased affordability has been an increase in demand for non-market housing and higher rates of homelessness across the Region. While low income households have historically faced the greatest challenges in finding affordable housing, housing affordability is increasingly affecting moderate income households as well.

Housing unaffordability affects a greater proportion of low income households and vulnerable populations than other populations.

Low income and single income households have the greatest difficulty finding affordable housing. Housing affordability is the greatest challenge for:

- Youth (under 25) households
- Single person households
- Recent immigrant households
- Visible minority households

- Single parent households
- Indigenous households
- Households with a member who has a disability
- Renting senior households

Waterloo has a uniquely high demand for rental housing compared to other municipalities.

Waterloo's large student and young adult population creates a stronger than average demand for rental housing in the City. More than 18,000 students live off campus in Waterloo, most of whom depend on the rental market for housing. Waterloo's younger adults (between 20 and 34 year old) comprise almost one quarter of the City's permanent population and rely heavily on rental housing. Furthermore, the increasingly high cost of ownership housing is forcing many households to remain in the rental housing market or seek ownership elsewhere beyond the City of Waterloo or the Region.

The secondary rental market (e.g. rented condominium apartments) can provide additional supply, but does not replace the need for primary (purpose-built) rental units.

Average market rents for units in the secondary rental market are 24% more expensive than in the primary market. Secondary rental housing is also a less stable form of housing because units can be easily removed from the rental market. For these reasons, the purpose-built rental housing remains an important component of a balanced housing supply.

More primary market rental housing is needed to support households in the lowest income ranges.

At least 20% (8,668) of Waterloo's households are spending more than 30% of their income on housing. Access to affordable rental housing by low income households and those in Core Housing Need is further challenged by low vacancy rates (2.1% in 2019), higher than average market rents compared with other municipalities in the Region, and a 17% higher cost for newly vacated units compared to currently occupied units. Additional supply of purpose built, non-luxury rental units would increase vacancy rates and help to put downward pressure on rents.

More non-market rental housing is needed to support households who can not afford market rents.

Waterloo has 1,188 non-market rental units within its overall all housing supply. Construction of new non-market units has not kept pace with demand, as indicated by a growing Waterloo Regional community housing waitlist and wait times that range from 2.8-7.9 years. Demand exists for a minimum of 2,711 new affordable housing units in Waterloo.

Waterloo has sufficient greenfield lands and lands within its built up area to accommodate an adequate housing supply.

Housing supply has a significant impact on house prices and rents. Over the next 10 years, the City will need to ensure a sufficient land supply (both on greenfield lands and through intensification of the Built Up Area) to accommodate 7,327 new dwelling units. By 2041, the City will require sufficient land to accommodate a total of 15,778 new dwelling units. While some variation year to year is expected, approximately 600 to 800 new units will need to be constructed per year to ensure an adequate housing supply. The forecast housing supply is amply supported by the City's current planning framework, which provides capacity for the creation of more than 100,000 units in both greenfield areas and the Built Up Area (through the Nodes and Corridors policies and implementing zoning).

Further research is needed to ensure the City is planning for the right type of housing to meet the needs of Waterloo's current and future households.

While increasing the supply of market and non-market housing can help increase choice and improve overall housing affordability, more research is needed to ensure the City is planning for suitable types of housing for different populations. Additional research is required to understand specific needs of certain types of households, such as senior, refugee and new immigrant households, and continued research and monitoring is needed to track Waterloo's student population and housing needs and its impact on the other sectors. Moreover, while this report focused on households that are "underhoused", more information is needed to understand the number of households that are "overhoused" (have more bedrooms than they need) and that would consider transitioning to alternative sized housing given the opportunity.