



The Province of Prince Edward Island

Housing Data and Trends

Poverty Reduction Action Plan Backgrounder

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Housing Data and Trends

SUMMARY

Stable, safe, adequate housing is a fundamental human need, and provides a foundation from which Islanders can achieve success in education, employment, community participation, and health.

For many Islanders, housing is their largest expense, affecting the funds available for other necessities. Since housing expenses such as rent /mortgage payments, taxes, and insurance are fixed, Islanders who face challenges in meeting these costs or in coping with major repair costs may leave other needs unmet.

[Over the past decade](#), Islanders have fared somewhat better than other Canadians with regard to housing need. Prince Edward Island's rate of core housing need declined steadily and stood at 8.5 percent or 4,880 households in 2016, compared to a national average of 12.7 percent.

Here and across Canada, affordability is by far the most common [type of housing need](#), with adequacy (need for major repairs) coming in a distant second, and suitability (crowding) affecting only a small number of households. Also similar to patterns elsewhere, homeowners are far less likely to be in housing need than those who rent their dwellings.

Several factors are combining to create a rapidly changing [housing environment](#) in PEI, and particularly in the Charlottetown area. These include:

- population aging;
- high rates of international immigration;
- increasing tourism;
- a rural-urban population shift;
- rising costs of building construction; and
- high rates of rental conversion and gentrification.

Taken together, these factors are driving major increases in housing demand and are limiting increases in supply, especially in the Charlottetown area.

Building starts are increasing but supply is expected to continue to be tight over the coming year and in 2019. As a result, vacancy rates are falling and average rents are rising, creating major and growing challenges of access and affordability for low-income Islanders.

In response, government and its partners provide a range of [housing supports](#) to Islanders, and are working in collaboration with community and private sector partners to develop a housing strategy, targeted for completion in June 2018. Significant investments in housing have already been announced in the 2018-19 operating budget including construction of new units, rent supplements, renovation and energy efficiency supports, and other measures. These investments and the upcoming housing strategy will form a key element of the Poverty Reduction Action Plan.



DEFINITIONS OF HOUSING NEED

The Canada Mortgage and Housing Corporation (CMHC) defined housing need as made up of three factors:

- housing is **unaffordable** if it costs more than 30 percent of before-tax household income.
- housing is **inadequate** if it needs major repairs; and
- housing is **unsuitable** if it does not have enough bedrooms for the size and makeup of the household.

Households facing these conditions are considered to be in need only if they cannot afford to address them. A household is said to be in “**core housing need**” if:

- its housing falls below at least one of the adequacy, affordability or suitability standards, **and**
- the household would have to spend 30 percent or more of its total before-tax income to pay the median rent of alternative local housing that is acceptable (meets all three housing standards.)

According to the 2016 census, over 10,000 households in Prince Edward Island had at least one housing need, but fewer than half of those (4,880) were in core housing need. This backgrounder focuses on the latter group.

TRENDS IN CORE HOUSING NEED IN PRINCE EDWARD ISLAND

Trends have improved over the past decade, overall. According to census data:

- in 2006, a total of 6,430 Island households, or 12.6 percent of the total, were in core housing need;
- by 2011, this number had dropped to 4,945 and 9.2 percent of households; and
- in 2016, there was further slight improvement, to 4,875 households or 8.5 percent of the total.

Prince Edward Island’s 8.5 percent rate of core housing need in 2016 was the lowest in Canada, only two-thirds the national average of 12.7 percent. A decade earlier, the province’s rate of 12.6 percent was the same as the national average; since then, the province’s rate fell to 8.5 percent, while the national rate held at 12.7 percent. Next lowest in 2016 were New Brunswick and Quebec, both at 9 percent, Newfoundland and Labrador at 10.5 percent, and Alberta and Manitoba, both at 11.4 percent. Other provinces’ rates are all above the national average.

This rate of 8.5 percent translated into 4,880 households in core housing need in Prince Edward Island. Of those, 615 had two or more housing challenges. Affordability was the main issue, affecting nine out of 10 households in core need.

- 4,435 households, or 91 percent of all households in core housing need, had affordability issues, made up of 3,835 households with affordability only (79 percent of the total) and 600 households with affordability plus another issue or issues, mostly adequacy (12 percent).



- 870 households in core housing need, or 18 percent, had adequacy issues, with housing needing major repairs, made up of 350 with adequacy issues only (7 percent) and 520 with additional issues, mostly affordability (11 percent).
- 195 households in core housing need, or 4 percent, had suitability issues, made up of 80 with suitability issues only (1.6 percent) and 115 with additional issues (2.4 percent).

Census data also indicate the following.

- Core housing need is much higher among renters than among homeowners. In 2011, with an overall core housing need rate of 9.2 percent in PEI, the rate for homeowners was 5.5 percent, while the rate for renters was almost four times as high, at 19.7 percent. An owner/renter breakdown for 2016 census data is not yet available.
- Renters were much more likely than homeowners to have affordability needs, while homeowners were more likely than renters to need major repairs (adequacy). In 2016:
 - among homeowners, 4,515 or 11 percent of the total spent more than 30 percent of their income on shelter;
 - for renters, the rate was over three times as high, at 6,335 or 36 Percent;
 - of the total 10,850 households in Prince Edward Island paying over 30 percent of their after-tax income in shelter costs, 4,435 were in core need; and
 - among homeowners, 3,500 or 8.4 percent needed major repairs, compared to 1,005 renters or 5.7 percent – of the total 4,505 households needing major repairs, 870 were in core need.

PRINCE EDWARD ISLAND'S HOUSING ENVIRONMENT

In the last few years, the Island's housing landscape has been rapidly changing due to a number of forces coming together.

Housing demand

The demand for housing has been rising and changing because the population is aging and its housing needs are changing.

- In the 15 years from 2017 to 2032, the population of seniors is projected to increase by 50 percent. This will increase seniors' share of the total population from less than one in five households in 2017 to one in four by 2032.
- Households are getting smaller, shrinking from 3.4 persons to 2.3 persons over the 30 years from 1986 to 2016.
- Linked to both trends above, the number of one-person households is rising steadily, and became the most common type of household in Canada in the 2016 Census. Prince Edward Island's rate of 27 percent was slightly below the national average and in the mid-range of provinces.



- Newcomer arrivals have increased dramatically. According to CMHC's *2017 Report*, the majority of these newcomers are in the economic class (over 80 percent January-August 2017) and the vast majority (90 percent) settled in and around Charlottetown. International immigration inflows have a current target of 2,200 per year and are projected to rise to 2,600 in future years.
- Gentrification has increased (mainly with new market construction, especially purpose-built rentals).
- Tourism has increased, prompting conversion of long term rentals to short term, such as Airbnb.
- Migration from rural to urban areas has increased for all demographic groups.

Housing supply

The supply of housing has not increased as quickly because:

- construction sector capacity is not sufficient to quickly match new housing demand with supply;
- building costs have risen due to increases in material prices, increased building code requirements, and the tight supply of contractors and labour as noted above;
- federal mortgage rules and financing requirements have tightened recently; and
- construction of new provincial affordable housing supply has lagged behind demand.

Taken together, these factors are having an adverse impact on both housing **affordability** and **availability** in PEI. The private construction market is responding and currently working at full capacity. Despite this, low income individuals, particularly working age singles, students and seniors, are bearing the brunt of the current housing challenge. As well, renters are much more adversely affected than homeowners presently.

The Government of Prince Edward Island is developing a Provincial Housing Action Plan to determine current and future housing related needs and recommend positive actions to best deliver affordable housing and other supports. Consultations with Islanders, communities, and housing stakeholder groups have been comprehensive and very beneficial.

As well, the Government of Canada has also released the National Housing Strategy which includes joint federal, provincial and territorial investments of \$40 billion over 10 years. The specifics of the new federal investments in Prince Edward Island are being developed at present.

PRIVATELY OWNED HOUSING SUPPLY AND COST

The 2016 census reported 59,470 dwellings in Prince Edward Island, of which 41,780 or just over 70 percent were owned. Almost all of the rest, 17,575 or 29.6 percent, were rented, while band housing accounted for the remaining 115 or 0.2 percent.

The province's home ownership rate of 70.2 percent in 2016 was above Nova Scotia's rate of 68.7 percent, but well below New Brunswick's rate of 74.4 percent, and Newfoundland and Labrador's rate of 76.7 percent.



There are significant differences in the rate of home ownership by county and between urban and rural Islanders. It should be noted that the following table does not include 115 units of band housing, which account for 0.2 percent of the total supply.

As also indicated in the table, almost half of all rental households in the province are in the City of Charlottetown, where they outnumber homeowners. Given the much higher rates of housing need among renters, this translates into higher rates of housing need overall in the two urban areas compared to rural areas of the province.

Housing Tenure by County and by Urban/Rural					
	Homeowners		Renters		Total
	Number	Per cent	Number	Per cent	Number
Total	41,780	70.3%	17,575	29.5%	59,470
Kings County	5,915	81.9%	1,300	18.0%	7,225
Queens County	22,585	66.5%	11,335	33.4%	33,975
Prince County	13,285	72.7%	4,940	27.0%	18,275
Charlottetown CA	18,115	62.6%	10,775	37.2%	28,950
Charlottetown – City only	7,760	48.2%	8,340	51.8%	16,100
Summerside CA	4,195	58.1%	3,025	41.9%	7,220
Non-urban areas	19,470	83.6%	3,775	16.2%	23,300

HOMES

Driven by the demand and supply factors outlined above, housing sales have been strong in Prince Edward Island in the past two years and prices are rising. According to the PEI Real Estate Association, for the first three quarters of 2017, home sales increased 2.2 percent and the average price was up 10 percent over 2016.

Looking over a longer time period, CMHC data indicate that average home prices were just over \$160,000 in both 2014 and 2015, rose to almost \$180,000 in 2016, climbed into the mid-\$190,000s in 2017, and are expected to top \$200,000 in 2018 and to be in the \$215-225,000 range in 2019. In all, CMHC projects that average housing prices will rise by close to 25% between 2016 and 2019.

These trends are positive for many homeowners in terms of equity, especially those who are downsizing, but make it more difficult for first-time buyers and renters to become homeowners, and for owners of entry-level homes to ‘move up’.

The market is responding with an increase in new housing starts. From 2014 to 2016, these were in the range of 500-550 a year, then jumped to an estimated 725-875 in 2017, and are expected to increase further to the 800-1,000 range in 2018 and 2019.



RENTAL UNITS

In October 2017, according to CMHC, there were 6,020 privately owned apartment units in PEI. Of those:

- the most common kind was two-bedroom apartments, at 4,060 or two-thirds of the total;
- one-bedroom apartments accounted for a further 1,470 units or one-quarter of the total; and
- bachelor units and apartments with three or more bedrooms made up the remaining 490 units or 8 percent.

Average monthly rent for apartments was higher in Charlottetown than in Summerside:

Average Monthly Rent, October 2017			
	PEI Average	Charlottetown	Summerside
Bachelor	\$577	\$576	\$585
1 bedroom	\$724	\$733	\$633
2 bedroom	\$880	\$901	\$772
3+ bedrooms	\$968	\$1022	\$798

Vacancy rates have dropped sharply in the province in the past two years and are forecast to continue to be tight over the next two years. Vacancy rates dropped from over 4 percent in 2014 and 2015, to 1.9 percent in 2016, and then further to 0.5 percent in 2017. According to CMHC’s 2017 report, only 100 apartments were built during 2016-17, helping to explain this trend.

In its *2017 Fall Housing Market Outlook*, CMHC forecast 350-450 new units in the Charlottetown area in 2018, more than double the number in 2016. Recent building permit data for Charlottetown indicate an even higher number, with over 820 rental units approved for construction in 2018. These will take some time to become available, however, and demand continues strong.

Looking ahead, CMHC forecasts vacancy rates to become even tighter in 2018, to 0.4%, and then to loosen slightly in 2019 to 0.8%.

Over the same period, rental rates in Charlottetown are following a similar pattern, according to CMHC’s *Fall 2017 Housing Market Outlook*. The average rent for a two-bedroom unit was about \$830 in both 2014 and 2015, rose to \$872 in 2016 and to an estimated \$910 for 2017.

Looking ahead, rents are forecast to increase further to \$950 in 2018 and \$975 in 2019.

GOVERNMENT AND NON-PROFIT SECTOR SUPPORTS FOR HOUSING

Governments and non-profit organizations, individually and in partnership, provide substantial support to low-income Islanders to repair and upgrade owned dwellings and to assist with the cost of rented dwellings.



SUPPORTS FOR HOMEOWNERS

Financial assistance to homeowners for home repairs and upgrading is funded by both the federal and provincial governments, and is delivered by the Government of Prince Edward Island. Supports include the following.

- The Department of Family and Human Services operates four home renovation programs, targeted to homeowners who are low-income, have disabilities, and/or are seniors. Approximately 700 Island households a year are assisted by these programs.
- Low-income homeowners also have access to funding from Efficiency PEI to make their homes more energy-efficient, improving comfort while reducing heating and utility costs. Budget 2018 announced that these supports would increase in the coming year.
- As well, the Department of Finance offers a Property Tax Deferral Program to homeowner seniors in low income, whereby the provincial portion of their property tax payments can be deferred during their lifetime. After this, taxes owing are recovered from the estate, or forgiven if the estate does not cover the costs.

SUPPORTS FOR RENTERS

Islanders who rent housing are supported through a number of approaches, including social housing that is subsidized and/or operated by a range of providers, rent supplements, and shelters. The provincial government plays a major role in both funding and delivery.

The major components of this housing supply include the following.

- The Provincial Seniors Housing Program operates and subsidizes 1,113 units in 32 communities, plus four Garden Suites. The rent charged for these units is based on the income of the tenant, and is set at 25 percent of income, with remaining costs subsidized by the federal government. In 2016, the average monthly rent was \$400, and the average seniors annual income was \$19,200. There is much demand for these units, and the provincial government has been working to address the wait list. As a result, the wait list has fallen from 928 in fall 2016, to 665 by August 2017, to 620 in February 2018. Significant funding is also being invested to repair and modernize these units.
- The Provincial Family Housing Program supports 463 units in nine communities, which also charge rent geared to income of 25%, and are subsidized by the federal government. The units are managed by a housing authority in each community. These units are also in very strong demand, and the wait list has been rising, from 390 in fall 2016, to 499 in August 2017, to 569 in February 2018.

As well, the provincial government provides support for the shelter costs of Islanders receiving Social Assistance benefits. These households mostly rent their housing, but may also live in their own homes, community care facilities, and various other options. At any given time, approximately 3,600 to 3,700 households are receiving such support. The provincial government also provides rent supplements to assist households with the cost of housing rented from private landlords.

On behalf of the federal government, CMHC supports housing through various channels.:



- It owns and operates 117 Rural and Native Housing rental units.
- It has operating agreements with a number of organizations and clients, whereby it does not own the units, but assists with funding, operation and administration. These include:
 - 12 Rural and Native Housing Homeowner arrangements, with mortgage payments based on 25 percent of homeowner income;
 - 19 Off-Reserve Urban Native projects with 56 units, (many are detached bungalows); owned and operated by Nanegkam Housing Corporation, a non-profit housing corporation founded in 1974 by the Native Council of Prince Edward Island
 - supports for co-op housing units: There are 13 co-ops with over 200 units across Prince Edward Island, of which 11 projects with 188 units are funded by CMHC (e.g., Kensington Seniors Housing Co-op, Pownal Square Housing); and
 - supports for about two-thirds of non-profit units: There are 33 projects with 357 units across the province, owned by volunteer non-profit boards, of which 22 projects with 229 units are subsidized by CMHC.

Homeless Islanders are an especially vulnerable group, and recent years have seen a strong emphasis on supporting this population, working through collaborative approaches. Examples include the following cited in the *PEI Report on Homelessness*, November 2017:

- through Housing First, over 130 Islanders have been provided with housing, including 55 through the Canadian Mental Health Association (CMHA) in Charlottetown, 21 through CMHA in West Prince, and 61 through JHS Wrap-around Housing; and
- there are 45 shelter beds on PEI – in 2016, 355 individuals (88 women, 228 men, 39 unknown gender) stayed in a shelter, for a total of 4,691 bed-nights.