Hamilton's Housing Crisis: Financialization Overview

SPRC and the Hamilton Community Legal Clinic (HCLC) jointly submitted to the National Housing Council's Review Panel on the Financialization of Purpose Built Rental Housing in August 2023. As two organizations committed to advancing the right to housing in our community, this joint submission spoke to the intricacies and nuances of financialization in the City of Hamilton and the need for action at all levels of government to address the crisis we face. We also recognize the ongoing and consistent effort local community members, allied organizations and tenant organizers have played in ensuring displacement and the implications of the housing crisis are not forgotten.

When we speak of Hamilton, we understand that the land now constituting this City is unceded, and that the City, as we know it, is the result of land theft and a failure on the part of settler-colonial governments and settlers to uphold the treaties and agreements that cover this land. Fundamentally, financialization is a tool of private property and land ownership that perpetuates a settler-colonial system.

Financialization

(Financial-ization)

Rapid increase of investors in the housing market and transformation of housing from a place to live to a vehicle for profit.

This can be in the form of Real Estate Investment Trusts (REITs) or other financial actors, such as banks, using housing as a vehicle for investment growth

What is financialization?

The financialization of rental housing can be understood as the rapid increase of investors in the housing market and transformation of housing from a place to live to a vehicle for profit. This can be in the form of Real Estate Investment Trusts (REITs) are other financial actors or non-corporate property owners using housing as a vehicle for investment growth.

The consequences of financialization in Hamilton are multifaceted and include things like the rapid increase of investors in single family homes, the expansion of small-scale property management groups across low and mid-rise rentals, and the explicit, direct targeting of affordable housing complexes by development corporations. The absence of appropriate regulations at all levels of government enable displacement to occur through legal and social policy gaps.

Financialization in Hamilton:

An overlapping of many factors including the erosion of existing affordable housing, a fast-growing and developer-driven market of new builds, and land speculation furthered by the approval of Hamilton's Light Rail Transit (LRT), have led to an untenable living situation for many Hamilton residents. The below sections explore trends in Hamilton that intersect with an increasingly financialized market.

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This report is part of series on Financialization of the rental market in Hamilton published by the Social Planning and Research Council of Hamilton and the Hamilton Community Legal Clinic.

Changes to the rental housing market caused by the process of financialization

Between 2016-2021 Hamilton lost affordable housing units

A projected **loss of 4,950 rental units** at rental prices **below $750.00 per month** occurred during this time.

Current increases to the housing stock is not creating new affordable housing units

3750 permits for new builds were issued by the City of Hamilton in 2022, this is an increase of over 1,000 since 2021. **Despite this, there is still a shortfall of almost 8,000 units for Hamilton residents whose annual income is $30,000 or less**

Since 2016, a growing number of new developments are investor owned

53.4% of condo units built between 2016-2020 **are investor owned.**

Renter Growth

As a result of the changing housing market, Hamilton has seen a sizeable increase in its renter population. Between 2016 and 2021, there was an 11.5% increase in the number of renter households in the city, higher than both the provincial and Greater Toronto Hamilton Area (GTHA) averages. During this same time, owner households only grew by 2.3%[1].

Renter growth can in large part be attributed to rising property values as well as recent hikes in interest rates, making home ownership increasingly inaccessible for many Hamiltonians. Additionally, construction of primary rental units has not kept pace with the growth in the rental markets. Only 18% of net new renters in Hamilton have been accommodated by the growth in new primary rental housing between 2016 and 2021, compared to the provincial average of 28% during this time[2].

Erosion of Affordable Housing

At the same time, Hamilton has seen a drastic erosion of affordable housing. Between 2010 and 2021, average rent for a two-bedroom apartment increased by 43% (above the provincial average of 40%) compared to a 23% increase in inflation over the same time period[3]. The cost of renting in newer purpose-built rental buildings tends to be even higher, as the average rent for units constructed after 2015 was found to be 44% higher. Furthermore, while Hamilton saw construction start for several new purpose-built rentals in 2022, it is anticipated that these will only lead to further discrepancy between the cost of existing rental stock and the rental cost of new units[4].

While the dramatic increase in rental costs has a direct impact on the lives of all tenants, low-income residents in Hamilton have been hardest hit by the sharp increase in rental costs. There was a net loss of 4,950 rental units renting below $750.00 per month in Hamilton between 2016 and 2021 (considered affordable at 30% of annual income for people who earn $30,000 or less annually), with a shortfall of almost 8,000 units for Hamilton residents whose annual income is $30,000 or less[5].

Compounding issues of affordability in Hamilton, particularly in the lower City which has the largest proportion of renters at 55% of the population[6], is the City's recent approval of a 14km LRT project in partnership with Metrolinx and the Ministry of Transportation. This will be explored in future publications by SPRC and HCLC.

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Increase in Condo Development

Although affordable housing stock has declined significantly in the past several years, Hamilton has seen a general increase in the number of new housing developments. In 2022, building permits awarded to new builds hit a record high of 3,750, up nearly 1,000 from the previous year. Until recently, the majority of new builds in Hamilton were geared towards single-family use (e.g. single detached, semi-detached, townhouses, and stacked houses), but from 2017 on, multi-residential and apartment buildings have become an increasingly large portion of developments, making up 75% of building permits awarded to new builds in 2022[7].

However, Hamilton residents have not generally benefited from the increasing supply of apartments and condos, as it has neither translated to improvements in affordability nor increased ownership. In 2016, 21.3% of condos in Hamilton were owned by investors, and the average cost to rent a 1-bedroom condo was 44% more than the cost to rent a purpose-built rental apartment[8]. More recently, in a study on displacement along the Hamilton LRT corridor, it was found that 41.6% of all condominium apartments in the Hamilton Census Metropolitan Area (CMA) are owned by investors, increasing to 53.4% of condo units built between 2016 and 2020[9].

While financialization has impacted the housing market in Hamilton writ large, renters in Hamilton have borne the brunt of the consequences, many of whom have been displaced and/or forced to endure substandard, unsafe and/or insecure living situations because there are simply no alternatives. Over the coming weeks, HCLC and SPRC will be releasing further bulletins related to financialization and the impact it has on renters within our City.

Impacts of financialization on Hamilton's residents between 2016 - 2021

ODSP and OW basic shelter allowance amounts have remained stagnant.

Current social assistance rates have a basic shelter allowance in the amount of **$390 (OW) and $556 (ODSP).** Current private rental market price for a **bachelor and one-bedroom units** ranges anywhere **from $1,075 to an upper value between $1,523 to $2,100.**

Affordable city spaces, with the highest number of low income residents are most at risk.

Between 2016 and 2021, there was an 11.5% increase in the number of renter households in the city, higher than both the provincial and Greater Toronto Hamilton Area (GTHA) averages. **Only 18% of net new renters in Hamilton have been accommodated** by the growth in new primary rental housing between 2016 and 2021, **compared to the provincial average of 28% during this time.**

Sources:

1 SPRC (2022a). 2021 Census: Rise of Renter Households Across Hamilton's Communities.

2 Ibid.

3 SPRC (2022b). Rental Housing Market Amplifies Inequality for Young Renters.

4 Pomeroy, S. (2023a). Designing for Impact: Options to optimize deployment of Hamilton Community Foundation Affordable Housing Impact Fund (AHIF).

5 Ibid.

6 SPRC (2023). Keeping Hamilton LRT On Track To Bring Benefits to Low-Income Residents: 'Pro-Poor' Growth framework and indicators.

7 Urciuoli, A. (2023, March 6). More homes being built in Hamilton than ever. Are we ready for the population boom?.

8 Harris, R., & Rose, G. (2020). The changing place of condominiums across a metropolitan area, 1970–2015. *The Canadian Geographer/Le Géographe canadien*, *64*(2), 294-309.

9 Mayers, R. et al. (2023, March) Experiencing urban change along Hamilton's LRT corridor: Resident experiences prior to construction. Research Report. University of Waterloo. March 2023.

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