# Shared Equity Housing in Canada: Financing Models to Facilitate Access to Homeownership

In response to housing affordability concerns in global cities worldwide, new models of shared equity ownership have emerged, in which multiple parties have an interest in a property.

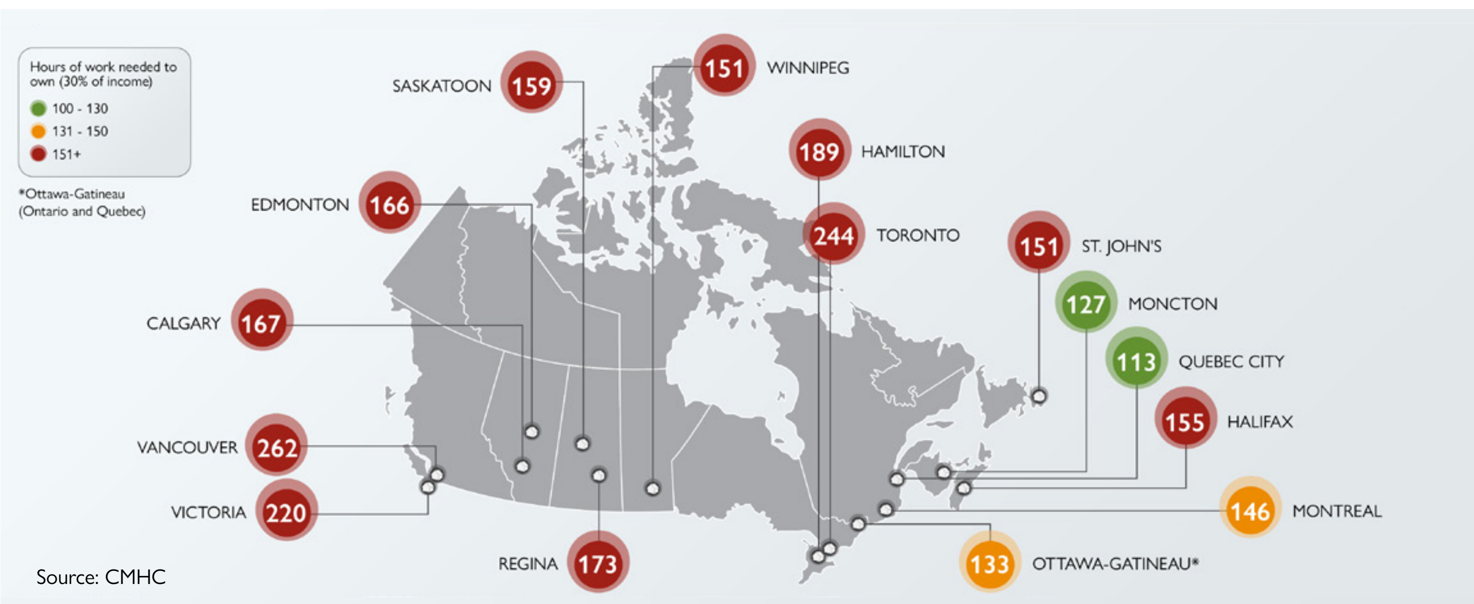
Shared equity can make homeownership more affordable for a household by reducing the down payment they require to purchase a home, and/or reducing the household's monthly mortgage cost. This may enable households to enter the homeownership market sooner, allowing them to build equity and participate in any property appreciation. Shared equity programs can also allow organizations to generate funds to build more housing in the future.

Shared equity programs can be structured in a number of ways and can involve various types of third party lenders, including individuals, private corporations, non-profit organizations and government agencies. In Canada, shared equity programs typically take one of the following two forms:

1. Shared equity in a property
   - A third party co-invests in and owns a share of a property
2. A shared equity mortgage
   - A third party provides the home buyer with a second mortgage with no payments until the end of a fixed term, when the home sells, or when the property is refinanced
   - The final amount owed on the mortgage varies depending on the model, but is calculated based on the market value at the time of resale or refinance
   - The buyer retains their share of property value appreciation net of mortgage payouts and expenses

In our most expensive housing markets such as Vancouver, people have to work almost twice as many hours to afford their mortgage as they do in more moderately priced markets, such as Ottawa-Gatineau and Montréal.

**Figure 1:** Number of hours a person earning the average hourly wage would need to work in a month so that mortgage payments do not exceed 30% of gross income



Some shared equity programs are available for the short term (5-10 years) but others are designed to support long term affordability (20 years or more years). A consideration with current shared equity ownership models is whether the homeowner will be able to build enough equity to purchase another home once the initial home is refinanced or resold.

There are currently a number of shared equity models operating in Canada. This paper, "*Shared Equity Housing in Canada: Financing Models to Facilitate Access to Homeownership*" provides an overview of the shared equity ownership models currently active in Canada.

## FURTHER READING

Full report – *HOUSING RESEARCH REPORT: Shared Equity Housing in Canada: Financing Models to Facilitate Access to Homeownership* (https://eppdscrmssa01.blob.core.windows.net/cmhcprodcontainer/sf/project/archive/research_2/seh_financing_models_report.pdf)

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Printed in Canada
Produced by CMHC 18-02-19
69472

cmhc.ca

## ALTERNATIVE TEXT AND DATA FOR FIGURES

**Figure 1: Number of hours a person earning the average hourly wage would need to work in a month so that mortgage payments do not exceed 30% of gross income**

| Region | Hours of work needed to own (30% of income) |
|---|---|
| Vancouver | 262 |
| Victoria | 220 |
| Calgary | 167 |
| Edmonton | 166 |
| Saskatoon | 159 |
| Regina | 173 |
| Winnipeg | 151 |
| Hamilton | 189 |
| Toronto | 244 |
| Ottawa-Gatineau | 133 |
| Montreal | 146 |
| Quebec City | 113 |
| Moncton | 127 |
| Halifax | 155 |
| St. John's | 151 |

Source: CMHC