

Housing affordability long-term issue in B.C.



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REAL ESTATE MATTERS

Not all that long ago sinking housing prices in a seriously lagging economy were a worry for some homeowners, their equity

disappearing even as interest rates were relatively low.

I can remember at least two if not three distinct periods in my adult lifetime when housing prices fell substantially enough for homeowners to worry about their biggest investment.

During the devastating real estate crash of the early 1980s, skyrocketing interest rates took a huge bite out of everyone's home purchasing power. Housing starts lagged for years thereafter.

Ten years or so later, as the 90s dawned, a short North American recession took another bite out of real estate.

Then during the dark years of the late 90s in B.C., housing prices slowly

slipped and the new-home market almost disappeared.

These boom and bust cycles in real estate are common. In the past, they were accentuated in our part of the world by other cyclical forces that played on our resource-based economy.

During boom times people celebrated paper gains in the investment in their home, while those yet to enter the market grumbled about the affordability challenge.

On the other hand, times of bust brought panic, for-sale signs and foreclosures. No one talked of wanting to get into the market.

But our real estate market has changed.

We may see some price adjustments in the housing market in the future, but we are becoming immune to the huge market swings of a boom and bust economy.

Housing affordability will be a lingering concern for years to come.

Two factors are largely responsible for this change, apart from the fact that B.C.'s economy has become much more diversified in recent years.

First, Vancouver has become a destination to park real estate investments, particularly for those who enjoy visiting and want a handy downtown condo as their temporary or even permanent home base. Vancouver's downtown housing market has been inoculated against cyclical economic

forces.

Second, with our natural and man-made urban growth boundaries and the tremendous population boom we have seen over the last 20 years, we are simply running out of developable land if we plan on continuing to build at the densities we have traditionally seen as acceptable.

At the heart of the housing affordability issue, underneath all of the other rhetoric, is the simple matter of supply in the supply and demand equation that drives all markets.

Uber-realtor Bob Rennie pointed to it a week or so ago in his keynote address to Vancouver's developers assembled at the Urban Development

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Institute when he revealed that all the construction cranes you see on the Vancouver skyline aren't signalling a huge glut of condominium apartments about to hit the market.

In fact, virtually all of the units under construction have already been sold. Many have been sold to investors who are parking their money in Vancouver real estate, willing to accept very minimal returns.

At the same time, these investors are supplying the market with the desperately needed rental housing.

The other factor affecting supply — lack of land to develop — can be somewhat alleviated with densification.

My prediction is that we aren't likely to see much progress in this area until things get really bad in the housing market — bad enough to seriously impact livability.

Why? The answer lies in selfishness.

Many homeowners are savvy enough to realize that higher density in their neighbourhood could mean more supply, leading to a tempering of prices.

Meanwhile, many of these homeowners are at a stage in their lives where they are equity rich — with all of their equity in their large single-family home — and income-poor.

They don't want to see affordability addressed with lower home prices.

Many of these same homeowners have developed lifestyle habits and perceptions over two and three generations now with the large lot single-family home ingrained in their minds as the only way of life.

They are the NIMBYs who will fight density in their neighbourhood at every turn.

Finally, addressing the housing affordability issue is complex.

There are many parts of the market that need to be addressed — all of them with different needs. Simple supply and demand solutions won't provide instant relief for the homeless street people; the hard-to-house with a variety of special needs, the growing cohort of income poor seniors and others.

Looking beyond the short-term realities of the market is not only advisable in addressing housing affordability — it is essential because there are no short-term realities in our housing market anymore.

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