

# Barbara Yaffe: Developers cram more into smaller spaces

It's one way innovative builders try to construct housing more people can afford

BY BARBARA YAFFE, VANCOUVER SUN COLUMNIST MARCH 17, 2014



Prodigy, near University of B.C., offers units starting in the low \$400,000s. It allows two different owners to mortgage-share on units featuring communal living space but separate bedrooms and bathrooms.

**Photograph by:** Jenelle Schneider, Vancouver Sun

As Vancouver's property market becomes more pricy, developers are becoming creative in a bid to keep wooing buyers.

They recognize folks with regular Vancouver-style incomes cannot keep paying increasingly higher prices.

"more affordable"? - No - just smaller! - cjk

So, they're adapting, developing more affordable housing options, says Anne McMullin, president and CEO of the Urban Development Institute in Vancouver.

McMullin points to several intriguing innovations featured in the newest condo developments.

Wynd is a Surrey building with prices starting at \$199,000. Units feature sliding walls and doors to maximize space as tight as 472 square feet. (Surrey has no minimum strata size but the smallest unit built to date has been 298 square feet; Vancouver's minimum is 400 square feet). With Wynd located near a SkyTrain station, buyers can do without a car.

Prodigy, near University of B.C., offers units starting in the low \$400,000s. It allows two different owners to mortgage-share on units featuring communal living space but separate bedrooms and bathrooms.

In Gastown strata units start at \$269,000, allowing buyers to use cash from trading in their car toward a unit's down payment.

Several residential developments in Coquitlam offer optional parking spaces for separate purchase, with a cash rebate to buyers who forgo the parking.

These offers are targeted to younger, often first-time, buyers looking for strata units.

And while these innovations may help a few, the affordability conundrum for most Vancouver buyers persists, and shows little sign of abating.

McMullin believes prices in the Vancouver market may be over-valued by "a relatively insignificant amount," but there's no housing bubble.

"This is an attractive place to be and people are willing to pay a little more to live in the Lower Mainland."

She says the market remains balanced, with building starts keeping a healthy pace with annual population growth of between 30,000 and 40,000.

Craig Alexander, TD Bank's chief economist, in Vancouver recently addressing the Urban Development Institute on home price trends, agrees.

Alexander told me Canada's housing market is over-valued by about eight per cent, while the figure for Vancouver is in the 12- to 15-per-cent range.

He agrees with McMullin. "You need something to act as a catalyst to cause a correction. That would need to be significantly higher interest rates, or higher unemployment; no such event is anticipated."

He forecasts only "a cooling of the market in 2014-15."

"The risks climb when the [interest] rates go up, which is a 2016-17 story."

That said, median property prices generally are higher since 2008 and Vancouver's stock of single-family homes has grown less affordable. Affordability hasn't changed for other sectors of the market due to lower interest rates.

Vancouver remains much less affordable than other Canadian cities.

Those with a financial interest in housing have developed precise ways of measuring affordability.

Royal Bank Economics reported in February that in late 2013, it took 86 per cent of median pre-tax household income — \$160,900 — to afford an average priced \$845,600 two-storey home in Vancouver; and 41 per cent of such income — \$76,600 — to support an average priced \$395,000 condo.

The Urban Development/Fortis B.C. Housing Affordability Index, meanwhile, calculates only 9.9 per cent of families have incomes sufficient to afford a single-family home (new or resale) with an average price tag of \$1.4 million.

About 50 per cent have sufficient income to qualify to purchase of a resale condo, at about \$400,000.

About 40 per cent have sufficient income to purchase a new condo, priced about \$510,000.

These measuring tools allow us to precisely measure Vancouver's affordability crisis but, alas, get us no further ahead in addressing it.

[byaffe@vancouversun.com](mailto:byaffe@vancouversun.com)

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