

Opinion: Livable Vancouver?

If middle-income housing is not made available, prices will continue to rise

BY WENDELL COX, SPECIAL TO THE VANCOUVER SUN AUGUST 10, 2015



At the root of Vancouver's housing crisis is its long-standing urban containment policy, which seeks to stop urban sprawl by forbidding development on nearly all the remaining suitable land.

Photograph by: Mark van Manen, Vancouver Sun

Vancouver — along with Melbourne and Vienna — ranks at or near the top of The Economist and Mercer lists of the world's most livable cities almost every year. These ratings are of justifiable pride to public officials and residents.

It may be less clear, however, that the livable cities lists are aimed principally at large companies, seeking information for executives they move around. Unlike many people from middle-income households, these are people who can afford to live in Vancouver.

The first principle of livability is affordability. A city can hardly be livable without livable housing. That is Vancouver's middle-income dilemma. RBC Economics indicates that paying the mortgage, property taxes and utilities on a detached house (bungalow or two-story) in metropolitan Vancouver requires more than 85 per cent of the median household income. This compares with about 35 per cent in Calgary or Edmonton.

Our 11th annual Demographia International Housing Affordability Survey, sponsored by the Frontier Center for Public Policy, found Vancouver to be the second least-affordable major metropolitan area of 86 in nine countries. It takes nearly 11 times the pre-tax median annual household income to buy the median priced house today. Only Hong Kong has worse housing affordability.

None of this is to discount the incomparable natural beauty of the Lower Mainland or the advantages of its moderate climate.

Living in Vancouver can be an insurmountable financial challenge for middle income households, especially those who were not able to purchase homes decades ago when they were more affordable and those unable to depend on inheritances. Many could spend their entire lifetimes living in small rental units, paying the mortgages of their landlords, rather than their own. Others will purchase cramped condominium units that are less than optimal for raising families. Indeed, in Hong Kong, some households are postponing or even forgoing having children because of the expensive and crowded housing.

The average detached house price is now more than \$1.4 million in the Vancouver metropolitan area. This is more than triple the detached house price in 2000. The average apartment condominium now

costs more than the average detached house in 2000. Since that time, house prices — detached, attached and apartment — have been rising at more than twice the rate of median incomes.

It is not surprising there is increasing concern by and on behalf of those left out as house prices continue to rise. In any other major Canadian city their home ownership prospects would be far better.

Evelyn Xia, experiencing Vancouver's housing affordability crisis, wrote in the Vancouver Observer that "Only a select few of us can afford a small \$500,000 condo and even fewer yet can afford a \$900,000 townhouse or house." In contrast to the affection for micro-apartments evident in trendy publications, Xia says to elected leaders that if you "try to convince us to live the rest of our lives in condos, at the very least, force developers to make them large enough to accommodate a growing family." As attractive as this may sound, the higher square-metre costs for highrise condominiums precludes that.

At the root of Vancouver's housing crisis is its long-standing urban containment policy, which seeks to stop urban sprawl by forbidding development on nearly all the remaining suitable land. The Economist contends, in discussing London, that it is possible to stop urban sprawl by urban containment policies, but that the consequences are severe. They are even more severe in Vancouver.

Agricultural preserves in the Lower Mainland (including the Fraser Valley) take considerable land on which urban development is prohibited. Meanwhile, as the demand for housing continues unabated, the land shortage has become even more severe and prices have skyrocketed. This is exactly what basic economics predicts.

Either more middle-income housing needs to be made available, or prices are likely to keep rising. Vancity Bank has said the average detached house could cost \$2.1 million in 15 years. This is four times the expected financial capacity of a median income household, based on CMHC standards. Policy reforms are needed, and everything must be on the table, including more land. Vancouver needs to close the livability deficit for its middle income households.

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