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Building fewer houses won't drop prices

Pace of Metro population growth isn't to blame for affordability woes either

If we want to make housing more affordable, we can't make it more difficult to build more housing. I am constantly astonished hearing some suggest we should be slowing the pace of new development because new housing prices are making affordability worse. Somehow, they believe that a new price benchmark is set every time a new condo apartment, townhouse or detached house is offered for sale.



RICHARD BUCHAN/THE CANADIAN PRESS FILES

Housing starts in Metro Vancouver haven't fluctuated much over the past 30 years, and population growth, while strong, is slower than in recent decades.

They argue the normal forces of supply and demand aren't at play in Metro Vancouver's housing market because the demand for housing is endless as offshore buyers flock to bank their millions in homes in this region. Since no one has accurately quantified the number of homes sold to offshore buyers, investor immigrants or anyone else we see as disrupting the market from outside, the very basis upon which this flawed argument rests might or might not be valid.

Regardless, how is it rational to suggest that restricting supply at a time when demand is strong — from wherever it originates — will result in lower housing prices? When housing prices are rising, for whatever reason, the last thing we want to do is make it more difficult to provide more housing.

The reality is that many people who want to slow the pace of new housing development don't want to do so because they believe stopping new development will moderate housing prices. No, their motivation is often to resist change in their neighbourhood because they are fearful. They fear higher-density development in their neighbourhood might lower the value of their now high-priced homes.

They might couch their resistance to new development in a way that aligns with the widespread housing affordability concern, but they are the last people who want to see housing prices drop. Their retirement windfall is vested in their high-priced homes. Others are using the equity they have in their homes to fund their children's home purchases.

So, let's not confuse resistance to new-home development with positive tools that can help address housing affordability. Restricting supply is simply making the housing affordability challenge worse — much worse.

If local governments are really serious about confronting the housing affordability challenge head on, then it's time they reconsidered decisions they've made over the last couple of decades to layer on policy after policy that has made it more costly to build a new home or renovate an existing home. It's time they looked at the cumbersome and lengthy processes that are now the norm in every planning department and building department in every municipality in Metro Vancouver.

If anyone is to blame for making housing a commodity, local governments have to share a big chunk of that blame. They have found it easier to generate revenue by charging endless fees on new-home construction than to raise property taxes to pay for local government services and public amenities.

When they read this, some local government politicians are going to argue their policies and processes exist to simply respond to what the public wants. They will also suggest public concern for regulating construction is top of mind because the pace of new development is unprecedented.

First, many believe that we are seeing growth at a pace we have never before seen. That is simply a myth. If we look back over the last 30 years in Metro Vancouver, the rate of population growth has been declining. Between 2001 and 2011, the region's population grew by 16.4 per cent, according to the Metro Vancouver website. Over the decade previous to that, the region's population grew by 24 per cent. But an even faster pace of growth occurred in the decade between 1981 and 1991, with the region growing by 26.4 per cent.

A second myth worth dispelling suggests we've never seen faster new residential development. In fact, 20 years ago, we built more new homes in Metro Vancouver annually than we did in 2014.

Housing starts in Metro Vancouver haven't really fluctuated much over the last 30 years. In fact, last year's figure for new housing starts was 19,212, according to BC Stats. That level of annual activity has been exceeded six other times over the last 30 years, even as far back as in 1989. The 30-year average for housing starts is 16,211 annually.



Addressing housing supply isn't the only solution, but restricting supply is certain to push housing prices higher. That is a reality many sadly fail to grasp.

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