

Pete McMartin: To have (expensive houses) and have not (money)

When Vancouver housing prices took off, our incomes didn't follow

BY PETE MCMARTIN, VANCOUVER SUN COLUMNIST OCTOBER 4, 2014



Andy Yan's research shows that Vancouver's house prices have grown astronomically and those high prices have an effect on the economic fabric of the city.

Photograph by: Justin Sullivan, Getty Images

Second in a series.

In Thursday's column, I wrote about median incomes in Metro Vancouver for those with a post-secondary degree, and how research by urban planner Andy Yan showed those incomes lagged behind all other major metropolitan areas in Canada.

Yan, with Bing Thom Architects, found, for example, that median incomes for those aged 25 to 55 with a BA were \$20,000 less in Metro Vancouver than in Ottawa and Calgary.

But Yan took his research beyond income. He paired it with what has become Metro Vancouverites' favourite topic, and part of the inescapable conundrum of living here:

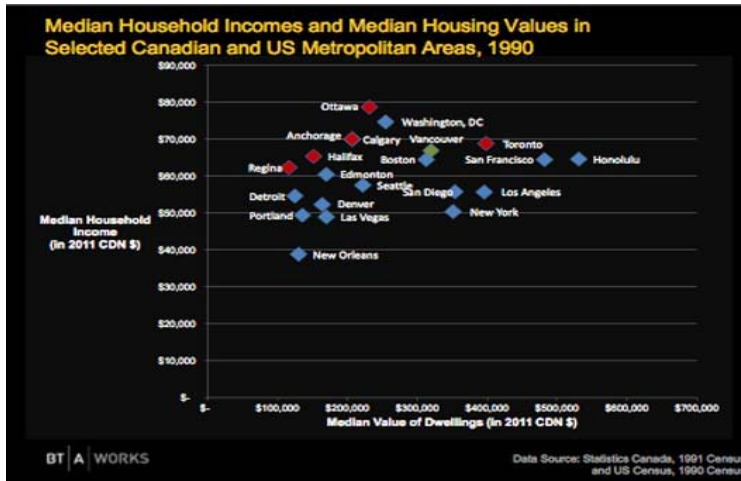
The high cost of housing.

Yan began by graphing the median housing value of 20 selected Canadian and U.S. metropolitan areas on the x axis (that's the horizontal one) and the median household incomes of those metropolitan areas on the y axis (that's the vertical one).

He made two graphs — one for 1990 and another for 2011. Statistics for both came from Statistics Canada and the U.S. Census Bureau for those years.

In the 1990 graph, Vancouver was positioned in the middle of the pack. Our median housing value — about \$300,000-plus — was greater than Calgary's and that of the other Canadian cities plotted, but it was less than Toronto's — which was then about \$400,000. Those U.S. cities where the median

housing value in that year was greater than Vancouver's were Los Angeles, San Diego, San Francisco, New York and, most expensive of all, Honolulu. Seattle was less. Portland was much less.



Meanwhile, Metro Vancouver's rank for median household income for 1990, while not the highest in Canada, was respectable. (These figures were plotted in 2011 dollars.) Ottawa, as always, gorging at the public trough, was higher, but we were on par with Calgary and Toronto. And we were higher than Edmonton, Regina and Halifax, and higher than all the U.S. cities other than Washington, D.C.

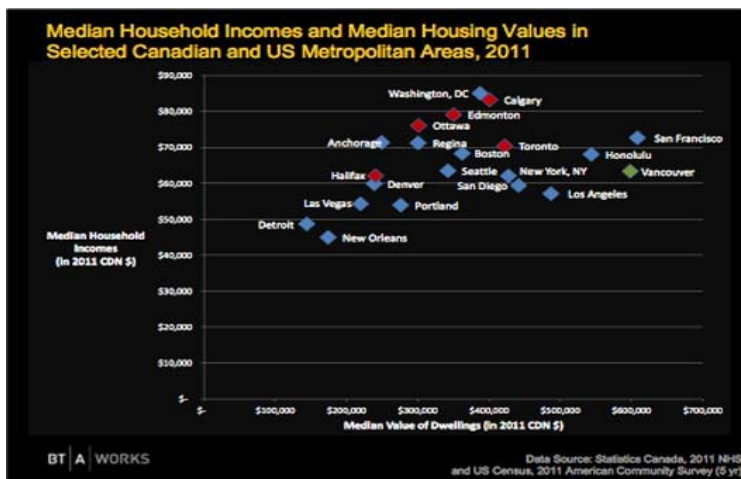
Fast forward to 2011.

Vancouver's position on the graph changes drastically.

Our median household income actually falls from 1990. Calgary becomes the Canadian city with the highest median income, followed closely by Edmonton and Ottawa. Regina moves ahead of us, while Toronto increases slightly from its 1990 level, putting more distance between it and Vancouver. The only other Canadian city on the graph that Vancouver is comparable to is Halifax, which lags just slightly behind us.

The real change on the graph — and this will come as a surprise to no one — is in median housing value.

Vancouver becomes an anomaly, far outdistancing every Canadian and U.S. city except San Francisco. However, San Francisco's median income, which was below Metro Vancouver's in 1990, increases to where in 2011 it was almost \$10,000 greater than Vancouver's. Both cities experience growth in house value — and in Vancouver's case, it was exponential — but that growth in San Francisco is softened somewhat by rising incomes. Vancouverites have had no such cushion.



In this election year, the high cost of housing here has dominated the political discussion to the point of exclusivity. We can't talk of anything else.

Yan's research shows that, yes, our house prices have grown astronomically. And yes, those high prices have an effect on the economic fabric of the city. Not only do they make owning a house difficult for average wage earners, they can dissuade corporations from establishing offices here. On the other hand, they have made a whole lot of sellers rich.

But those high house prices, and our utter preoccupation with them, have become a distraction to a greater problem, and they are only a part of Vancouver's economic malady. At any rate, those high housing prices are largely beyond the jurisdictional abilities of Metro Vancouver's municipal governments to have any real effect on them. Meaningful change — in immigration numbers, for example — would reside with the federal and provincial governments, but not at the municipal level.

No, the persistent, year-over-year problem has been in income decline, and this has been a long time coming.

"This is not a new story," said Tsur Somerville, director of the University of B.C. school of urban economics and real estate. "We have lagged behind the other major metropolitan cities since the 1980s, and even before the period of rising home prices."

According to figures from Statistics Canada, in 2011 dollars, the median income in Vancouver peaked in 1980 at \$69,800.

Then came the long slow decline:

In 1982, it fell below \$60,000.

In 1993, it hit \$50,000.

In 1996, it fell as low as \$48,500.

By 2011, it had rebounded to \$57,200, which was a couple of hundred bucks better than the Canadian median but slightly lower than cities like Winnipeg and Halifax. Every other major city in Canada except Montreal had a higher median income than us.

Do high housing prices have an effect on the economic health of Metro Vancouver?

Without a doubt. But those high prices are only one part of the picture, and as research shows, they aren't moving in tandem with our incomes.

Something's wrong, and we should be talking about that in an election year. Largely, we aren't.

The final instalment Tuesday.

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