

Ransford: No time to waste in matters of residential supply and demand

BY BOB RANSFORD, VANCOUVER SUN AUGUST 18, 2014



Only 17.1 per cent of condo owners in Vancouver and Toronto were investors, a 2013 survey by the Canada Mortgage and Housing Corporation has found.

Photograph by: Aaron Lynett, Postmedia News File, Vancouver Sun

What do you do when you don't have enough of something everyone wants and they are willing to pay just about anything for it? You provide more of it — making more or finding more — and you offer it to those who are demanding it.

If you do that fast enough, people will begin to act more sensibly and temper what they are willing to pay for what you are offering.

What do we do in Metro Vancouver when we see people buying every home that hits the market — new and pre-owned — and paying prices no one could ever have imagined anyone would pay?

We start talking about stopping new housing development. We argue that we should make it tougher for homebuilders to get their plans approved. We search for ways that the government can ease the

burden on buyers, either by dreaming that someone can acquire land and build housing and people will be able to buy it for less than what the market is already indicating they are willing to pay, or by dreaming of subsidies that will ease the burden for tens of thousands of people.

We argue about statistics and figures, trying to claim that we have enough housing, but that it's all sitting empty. We speculate on how many homes might be owned by people who don't live here - or at least, they don't live here permanently, long enough or they don't care like we care because they might be of a different national origin.

We talk about restricting them, penalizing them or taxing them, dreaming that these efforts will somehow make it less costly for us to buy homes.

The one thing we don't do is this: we don't admit that the cost of housing has become too high because we aren't supplying enough of it quickly enough.

We have yet to mention that we have a housing shortage in Metro Vancouver. A seller's market is a market where there is less supply than demand. That equates to a shortage.

I was in Australia a couple of weeks ago. I told people that some in Vancouver argue that we have to stop building condos because prices have risen too high. They laughed and then expressed their sympathy to me for the fact that I live in a place where people don't understand the basics of supply and demand.

Australia is experiencing many of the same conditions that Canada is experiencing. Housing costs in its big cities are not far behind Vancouver's. Asian population migration is one of the forces that is driving housing demand in Australia's cities. Everywhere I went there, I heard about their housing shortage.

They admit they have a housing shortage. They believe they have a challenge to supply more housing. It's not easy. They face many of the same issues we do around growth management. Change doesn't come any easier to Australians living in big cities than it does to Vancouverites.

Density is a solution, but it is also a concern for those who don't want to see the character of their Australian neighbourhoods change. Protecting natural ecosystems is just as vital there than it is here. Providing infrastructure to serve the new growth is vital, just as it is here.

The difference in Australian cities is that they do something we aren't yet doing here. They admit they have a housing shortage and to combat skyrocketing housing prices, they've decided they have to find a way of supplying more housing.

We haven't yet admitted that. We're still talking about tweaking the application processes in planning departments to try to mitigate some of the horrendous wait times for permit approvals for new housing that is the result of what seems to be a surge in applications. I haven't heard anyone refer to the fact that in five of the last 12 years, annual housing starts in Metro Vancouver have fallen year over year.

Declines in population growth rates did not match those declines in housing starts, by the way. I haven't heard anyone talk about the fact that housing starts will fall again this year if the current trend continues - a year during which we have seen record average housing prices.

To increase housing supply and see prices come down, we need to remove some of the risk from the process. The biggest risk factor is the time factor. If homebuilders can respond to market demand when it is there, quickly bringing new homes to the market, more homebuilders will enter the marketplace and there will be more competition. Faster responses and more competition mean lower prices.

If it takes three to four years to obtain land-use approvals, building-design approvals and construction technical permits, there are huge risks. The first risk is that you won't be successful in obtaining one of those approvals somewhere in the three-to-four-year process.

The second risk is that the world will change before you put a shovel in the ground or a nail in lumber, but you will have risked everything upfront. These kinds of risks need to be compensated for by higher returns on an investment in a project - adding to the cost of housing.

This kind of business risk is also not for small builders. You need to be big and have deep pockets to take on such risks.

So, when you hear a candidate for a local council talk about housing affordability in the upcoming civic election campaign, listen to hear whether they mention that we have a housing shortage. Also listen to determine whether they understand some of the realities of supplying the housing we need.

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