

The BC CONSTRUCTION MONITOR

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Supply is Falling Far Short in Vancouver
But There are Ways to Build More Diverse Approaches and Benefits on Density

SEPTEMBER 2016

Affordable Housing: Let's Build, Not Regulate our Way There



Philip Hochstein

It's been an active and interesting few months on the housing file in British Columbia. There was a sharp step-back in sales in Metro Vancouver over the summer, in the wake of the retroactive 15% tax on foreign real estate purchasers. But it's not at all clear that the long-term impact of this and other recent housing-related actions will be all that significant.

The problem is that we're trying to regulate – and, ironically, tax – our way to affordable housing; and with an almost exclusive focus on decreasing demand. But even if we brought foreign investment

in Metro Vancouver real estate to a full stop, what about the tens of thousands of new households that will be formed through population growth in the years to come?

Among the ranks of those struggling to find acceptable housing here are a growing number of pro-housing "Yes-in-my-Backyard" or YIMBY activists. And they are calling for an at least equal focus on the crucial supply side of the equation.

In this Monitor, we detail how intense the supply-demand imbalance has become, and we identify some of the ways of moderating it. Certainly a reduction in the large municipally imposed regulatory burden has to be part of the solution, since research demonstrates that housing supply is particularly sensitive to added delays and uncertainty.

And if current owners and residents are genuinely concerned about affordability for newcomers and the next generation, they need to accept that existing communities must adapt to accommodate more housing. Fortunately, there are opportunities to create density unobtrusively, and there are a whole range of benefits that come along with doing so.

It's near impossible to address an issue of severe scarcity and lack of affordability by focusing on demand alone. We're keeping one hand firmly tied behind our backs if that's the strategy we stick with. Instead, let's tackle this challenge full on: let's shift our focus away from trying to regulate down demand, and instead build more of the housing that British Columbians need.

We're Building Homes, But Not Enough

Builders are stepping up to meet huge housing demand in Greater Vancouver. In the first quarter of 2016, there was a record level of more than 7,000 housing starts, and new home construction is expected to remain above recent averages through 2016 and 2017. But even with a steady climb in residential building, the supply of available homes has been dropping. And ongoing population growth will make this an even harder curve to bend.

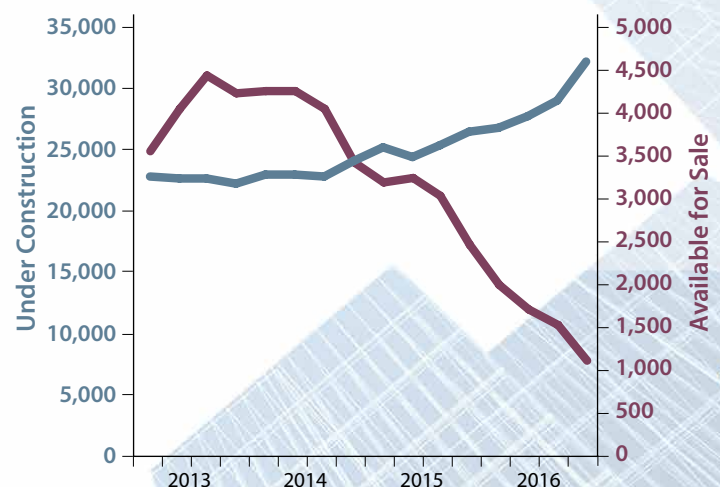
Greater Vancouver: Projected Population Growth

2016 2,542,469

+ ~37,000 per year =

2025 2,877,798

Homes Under Construction and Available for Sale, Greater Vancouver



Source: Canada Mortgage and Housing Corporation, BC Stats

Vancouver Housing: We Could be Making More of it

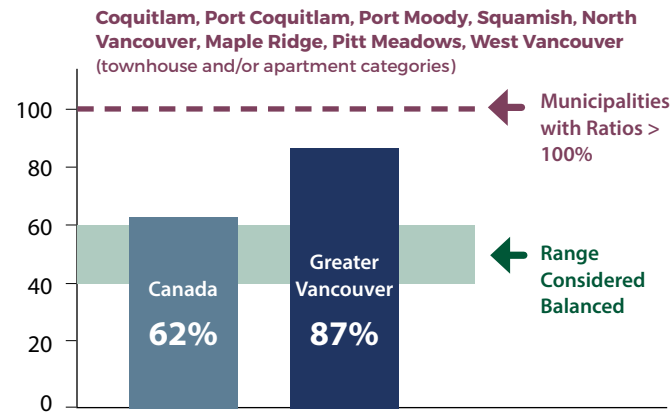
Vancouver Housing: Supply is Far < Demand

Home sales have been growing much faster than new listings in Greater Vancouver – pushing this ratio up well above the range that is considered balanced. In some areas, sales have actually outpaced new listings, depleting already very low inventory.

Greater Vancouver Q1 2015 to Q1 2016



Sales-to-Listings Ratio



Inventory of Homes on Market

Time to use up available inventory at current rate of sales:



Sources: Canada Mortgage and Housing Corporation, Canadian Real Estate Association. Greater Vancouver figures as of May 2016, Canada figures as of July 2016.

Increasing Supply: Use the Landbase Better

While the City of Vancouver has a relatively high density by Canadian standards, most of its landbase is set aside for single-family and low-rise residences. This suggests lots of potential to creatively fit in more housing.



Landbase Reserved for: **65% of Vancouverites live on 20% of the landbase**

- Multi-Family Homes
- Single Family Homes

MOST DENSE Neighbourhood West End
218 PEOPLE/HA

LEAST DENSE Neighbourhood Shaughnessy
20 PEOPLE/HA

Neighbourhoods WITH DENSITY OF **<40 PEOPLE/HA**
7 out of 22

Source: Vancouver census materials and analyst estimates cited in Metro News, August 5, 2016.

Increasing Supply: Regulate Better

The cost of a new housing unit in Metro Vancouver includes, on average, close to \$30,000 in project approval and regulatory compliance costs. And regulatory delays and uncertainty further strangle off growth in housing supply.

Housing Units Awaiting Approval 69,500
In 6 large Metro Vancouver municipalities

How Can we Unblock this Backlog?

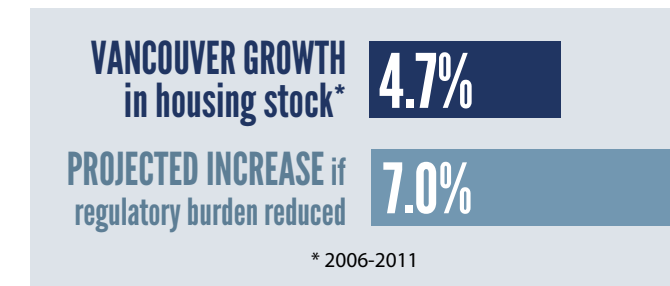
...Process Approvals Faster

Growth in housing supply is especially sensitive to regulatory delays. A recent study projected that a six-month increase in municipal approval timelines would cut supply growth by more than half.



...Reduce the Overall Regulatory Burden

The same study projected that supply growth in Vancouver would increase by close to half if its currently heavy regulatory burden dropped to the median level in Greater Vancouver.



Sources: <https://news.gov.bc.ca/releases/2016FIN0028-001239>, July 2016; Fraser Institute, *New Homes and Red Tape*, and *The Impact of Land Use Regulation on Housing Supply in Canada*

End the Regulatory Insanity

Residential construction in the City of Vancouver has and continues to become more complex, costly and drawn-out – as the following experiences of an individual property owner trying to build a home illustrate.

Requirements to Remove a Tree

Review By-law 9958 – **46 Pages**

Plans/Applications/Reports Needed – **3-4**

Arborist fees – **\$560-\$650**

Not including tree removal and replacement costs

Service Providers Required

- Realtor
- Land Surveyor
- Lender
- Architect/Designer
- Certified Energy Advisor
- Structural Engineer
- General Contractor
- Geo-technical Engineer
- Interior Designer
- ISA Certified Arborist
- Landscape Designer/Landscape Architect
- Lawyer/Notary

Monthly Carrying Cost of House During Process **\$4,000**

Final Timeframe to Obtain 8 Required Permits **9 Months**

Total Fees Payable on Permit Issuance, at Three Different City Hall Counters **\$36,306.80**

Source: www.buildinginvancover.com

Fitting in More Housing: Lots of Approaches, Lots of Benefits



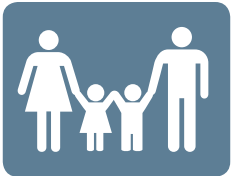
Densification is an obvious way to increase the housing supply in a given area. But it comes with a lot of additional benefits, and can be achieved in many ways besides just tall towers.

Not Just More Housing, but also...



... a Lighter Footprint

- Reduced urban sprawl
- Better use of transit
- Lower heating/cooling costs



... Healthier Neighbourhoods

- More diversity of residents
- New vibrancy in old neighbourhoods



... Lower Costs

- Land cost/unit down
- Municipal servicing costs down
- Supply/demand balance improved

“Increasing the number of homes in the region will inevitably alter the character of neighbourhoods, but in exchange, can produce thriving communities where average families can live, work and play.”

– Province op-ed, September 2016

Lots of Ways to Get There

- Higher Buildings
- Laneway & Other Infill Housing
- Denser/More Efficient Site Usage
- More Efficient Street Grids
- Smaller Lot Sizes
- Reduced Parking Requirements



Source: Canada Mortgage and Housing Corporation

“We think that building more housing is part of the solution to the housing crisis in our city. This is based on the common-sense idea that, if there is more housing for people, more people will have more housing. Meanwhile, apartments are illegal on 81% of Vancouver’s residential land, severely restricting where relatively affordable, multi-family units can be built.”

– Recently Formed “YIMBY” group, Abundant Housing Vancouver

The BC CONSTRUCTION MONITOR is an ICBA publication providing ahead-of-the-curve information and statistics on the BC construction industry and issues relevant to it.

The Monitor draws on analyses and outlooks from various sources, and provides current and substantive insight. This regular publication is intended for industry executives, government decision makers, journalists and other opinion leaders.

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