PERSPECTIVE

Issue is not suburbs
It is standard of living and poverty
Toronto Growth in Suburbs: 2011-2016

DOMINATED BY SUBURBS

- Suburbs: 64%
- Exurbs: 17%
- Core: Toronto Centre & Spadina-Fort York FEDs: 12%
- Balance: City of Toronto: 7%

Derived from Statistics Canada data
OUTLINE

Background: Middle Income Housing Affordability

Middle Income Housing Affordability in the GHTA

Urban Containment (Greenbelt) Policy

Protecting Land or People: A Question of Values

The Future & Economy: GGH & Canada
Background: Middle-Income Housing Affordability

FIRST PRINCIPLES
G20 COMMUNIQUE: 2014
Better standard of living
Less poverty
Housing the Largest Household Expense

BENEFITS OF HOME AFFORDABILITY

Foundation of the middle-class
More to spend on other goods & services
Neighborhood stability
International Housing Affordability
THE DEMOGRAPHIA SURVEY

13th Annual Demographia International Housing Affordability Survey: 2017
Rating Middle-Income Housing Affordability

Australia • Canada • China (Hong Kong) • Ireland
Japan • New Zealand • Singapore
United Kingdom • United States
With comparisons to External Indexes for China and Malaysia

Introduction by
Oliver Hartwich
The New Zealand Initiative

Data for 3rd Quarter 2016

Performance Urban Planning

MEDIAN MULTIPLE
Median house price divided by Median household income

Table 1
Housing Affordability Rating Categories

<table>
<thead>
<tr>
<th>Rating</th>
<th>Median Multiple</th>
</tr>
</thead>
<tbody>
<tr>
<td>Severely Unaffordable</td>
<td>5.1 &amp; Over</td>
</tr>
<tr>
<td>Seriously Unaffordable</td>
<td>4.1 to 5.0</td>
</tr>
<tr>
<td>Moderately Unaffordable</td>
<td>3.1 to 4.0</td>
</tr>
<tr>
<td>Affordable</td>
<td>3.0 &amp; Under</td>
</tr>
</tbody>
</table>

13th ANNUAL
9 Nations
92 Major Markets
406 Total Markets
Middle-Income Housing Affordability
MINIMUM REQUIREMENTS

AT THE HOUSING MARKET LEVEL
(Metropolitan Areas)

(1) Comparison to Incomes
(2) Comparison to history
(3) Comparison to other areas
Illustrates the Contrast: California & US

LIBERAL V. URBAN CONTAINMENT POLICY: 1950-2016

MEDIAN MULTIPLE
Median house price divided by Median household income

Derived from Census Bureau, Harvard University and Demographia.
US: People Move Away from High Prices

53 US MAJOR METROPOLITAN AREAS: 2010-2016

Median Multiple 3.5 or Less: 1,281,000
Median Multiple > 3.5: 1,056,000

Harvard study: Affordability drives migration

Derived from Census Bureau
Middle-Income Housing Affordability in the GHTA

Focus: Toronto CMA
Unprecedented House Cost Increases

MEDIAN MULTIPLE
Median house price divided by Median household income

<table>
<thead>
<tr>
<th>Year</th>
<th>Median Multiple</th>
</tr>
</thead>
<tbody>
<tr>
<td>1971</td>
<td>4.3</td>
</tr>
<tr>
<td>2004</td>
<td>3.9</td>
</tr>
<tr>
<td>2016</td>
<td>7.7</td>
</tr>
</tbody>
</table>

Derived from Statistics Canada and Demographia
Middle-Income Housing Affordability
TORONTO CMA: 2004-2016

Median Multiple
Median house price divided by Median household income

Figure 13
RBC: Share of Income Needed
2017 Q1: MEDIAN INCOME % FOR AVERAGE HOUSE

Source: RBC Economics Research

Figure 14
Interest rates likely to increase today: How that could affect your loans

From mortgages to lines of credit, a rise in the 'overnight rate' will hit Canadian consumers

By Solomon Israel, CBC News | Posted: Jul 12, 2017 5:00 AM ET | Last Updated: Jul 12, 2017 5:06 AM ET
Land supply restrictions resulting from the plan called, Places to Grow, is "the number one reason GTA house prices are rising,"

"Affordability and Places to Grow cannot co-exist"

Benjamin Tal, Deputy Chief Economist, CIBC World Markets, Inc.
Recent Price Plateau Still Very High
TREB: TORONTO AREA

Median House Price

ACTUAL

AT 2000 RATIO

Jun 2016  Sep 2016  Dec 2016  Mar 2016  June 2017
Toronto: Moving Away from High Prices

TORONTO CMA NET DOMESTIC MIGRATION: 2010-2016

Derived from Statistics Canada
Urban Containment (Greenbelt) Policy

Hong Kong Median Multiple: 18.1
The Legacy of Low Cost Suburban Housing

AFFLUENCE IN CANADA AND THE U.S.

Derived from US Census Bureau, Levittown ad
Median Multiples Were 3.0 or Less
DATA FROM 1987

Adapted from Reserve Bank of Australia, Courtesy Frontier Centre for Public Policy
Urban Containment Policy
GREENBELTS & URBAN GROWTH BOUNDARIES

Intensification requirements (infill)

Greenbelt Draft Plan
- Oak Ridges Moraine Plan Area (2001)
- Niagara Escarpment Plan Area (1973)
- Built-Up Urban Area 2004
- Regional Municipal Boundary
Supply Limits Result in Much Higher Prices

EMBARGO & IRAN SUPPLY LIMITATIONS 1973-1980

https://commons.wikimedia.org/wiki/File:Oil_Prices_Since_1861.svg
Urban Containment: Higher Land Prices

URBAN GROWTH BOUNDARY (& RELATED STRATEGIES)

The “killer app” of urban planning

Adapted from Lincoln Institute of Land Use Policy
Impact of Urban Growth Boundary
DESTROYS COMPETITIVE MARKET FOR LAND

United Kingdom differences up to 400 times (Permitted v. not permitted)

INSIDE UGB
$180,000
Per Acre

OUTSIDE UGB
$16,000
Per Acre

Portland 2010
Huge Spike in House Prices: Canada


Figure 26

- Toronto
- Montreal
- Vancouver
- Ottawa
- Calgary
- Edmonton
Huge Price Increases: Australia

MAJOR MARKETS: 1981-2016

Figure 27
Housing Affordability Examples: 2016
URBAN CONTAINMENT METROPOLITAN AREAS

Median Multiple: Median House Price/ Median Household Income

Demographia International Housing Affordability Survey, 2017
Severe unaffordability (Over 5.0 median multiple
Only where there is urban containment policy
or severe land rationing
Principle of A Competitive Land Supply

ANTHONY DOWNS (BROOKINGS INSTITUTION)

• “Number of years supply” allocations are ineffective and inaccurate.

• Only reasonable indication of sufficient supply is the price of land: Finished land should be about 25% of final house and land cost.
Speculation Fuels House Price Increases
BANK OF CANADA GOVERNOR

There’s no fundamental story that we could tell to justify that kind of inflation rate in housing prices ... Demand is being driven more by speculative demand, or investor demand, as opposed to just folks that are buying a house.

Stephen S. Poloz, Governor, Bank of Canada
Speculation leading to high land prices on the urban fringe can only be avoided if limits on urban expansion are generous enough and credible enough to ensure that land will be in plentiful supply for years to come, and that hoarding it will not be profitable in the long run.

Shlomo Angel, New York University
TO GOVERNMENT:

Consider what you are doing to a whole generation of people by basically turning off the taps.
TORONTO STAR: Paul Cheshire thinks Ontario’s anti-sprawl Smart Growth policies might just be one of the dumbest ideas that Britain ever exported.

“you try and force people to live in houses they don’t want to live in, in places they don’t want to live and they end up bidding up the prices of those houses that they do want to live in.”
"... the only viable solution to dealing with deteriorating longer-term affordability – significantly increasing the number of new ground-related housing units built."
Difference is Not Construction Costs

DETACHED HOUSE CONSTRUCTION COST & PRICE

Sources: Altus Construction Guide and Real Estate Board reports

Figure 36
Land Rationing is the Issue
DESTROYS HOUSING AFFORDABILITY

... the affordability of housing is overwhelmingly a function of just one thing, the extent to which governments place artificial restrictions on the supply of residential land.

Donald Brash, Governor,
Reserve Bank of New Zealand
1988-2002
Introduction to
4th Annual Demographia International Housing Affordability Survey
Protecting Land or People: A Question of Values
Densest World City: Dhaka, Bangladesh
REFERRED TO AS SPRAWLING

15x as dense
As Toronto
Population Centre
Population Centre (Urban) Densities: 2017
SELECTED WORLD AREAS OVER 500,000

Extent of Urbanization: Canada
2016 CENSUS & PEAK AGRICULTURAL LAND

Agricultural: 97.9%
Urban Development: 2.1%

Derived from Statistics Canada
Agricultural Land Taken Out of Production

FROM PEAK TO 2016: EQUAL TO MARITIMES LAND AREA

Farmland reduction: 9x urban land 2016

http://diymaps.net/userimages/569308.gif
Greenbelt & No Greenbelt Compared
GREATER GOLDEN HORSESHOE

Derived from Neptis 2003.
"Suburbs rarely cease growing of their own accord. The only reliable way to stop them ... is to stop them forcefully. But the consequences of doing that are severe."

... the ultimate objective of urban policy is to improve outcomes for people rather than places.
Virtually all increased inequality is in higher housing values.

Much due to Housing regulation.

-Rognlie, MIT
$2 Trillion GDP Loss in the US
LARGELY DUE TO STRINGENT HOUSING REGULATION

Source: Hseih and Moretti, 2014.
Fears of a Housing Bubble

BANK OF CANADA, OECD & OTHERS
PROSPECTS FOR THE GREATER GOLDEN HORSESHOE

LIKELY TO WORSEN
ALREADY SPREADING TO THE REST OF THE GREATER GOLDEN HORSESHOE
STRONGER INTENSIFICATION REQUIREMENTS

https://commons.wikimedia.org/wiki/File:A_tea_pot.jpg
The Need to Restore Affordability
FOR THE NEXT GENERATION AND THE ECONOMY
Establish housing affordability reporting

Policy: Glide path to affordability
  – Auckland

Event triggered greenfield land expansion
  – New Zealand Productivity Commission
  – Issue is land price, not planning allocation
  – Not a call for deregulation.

Municipal utility districts
  – Texas