

# Fair Housing Plan offers no hope for next generation



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Everywhere you turn, people are talking about Toronto's heated housing market — it's been the top story in Toronto over the course of 2017 so far. The Ontario government responded to the market with the Fair Housing Plan with 16 measures meant to cool the market and ease the pressure of owning or renting a home.

However, there are two groups that are going to be impacted by this plan the most — first-time buyers and new renters. In other words, millennials and 100,000 new arrivals in the GTHA every year.

These are the people who already have taken the brunt

of years of government housing intervention, politicized planning, glacial approvals and a lack of inventory. In fact, a new Statistics Canada study released recently shows the number of immigrants moving to the suburbs around Toronto instead of downtown is rising. You can thank high rent and housing prices for that.

The Fair Housing Plan is having a chilling effect on investment in purpose-built rental investments: we're seeing industry freeze their rental projects since it was introduced.

The Fair Housing Plan already has led to delays in

20,000 units worth \$6.5 billion in new rental housing investment, according to the Federation of Rental-Housing Providers of Ontario.

Purpose-built rentals had been making a comeback: since 1990, there has been 3% growth in purpose-built rental stock while the region's population grew by more than 50%, according to the Canadian Centre for Economic Analysis.

Meanwhile, lower-density housing is being squeezed out due to a lack of serviced, build-ready land. New high-rise condos — bogged down in the approvals process — will continue to expand because they are the only option left.

So, why did this happen? Elections are a year away: many politicians in the GTHA will seek votes primarily from ratepayers (existing homeowners) and current renters.

Some will point to the \$125-million, five-year incentive to build rental properties as a reason for industry voices

like mine to be silenced.

Unfortunately, the GTHA's rental housing market demand will require more than \$10 billion per year for the next 10 years — the Wynne government's incentive is simply a drop in the bucket and will not create much incentive to build purpose-built rental.

First-time buyers and renters can expect continuing shortages in mid-rise condos, the "missing middle" (products between condos and single-detached) and rental apartments. The growth in overcrowded sub-standard occupancies will escalate.

The Fair Housing Plan contains a few glimmers of hope: an internal "Housing Supply Team" and "multi-ministry working group" to work with industry to identify barriers to specific projects, and opportunities to streamline the development approvals process.

As well, a proposed Housing Advisory Group made up of external stakeholders will advise on the plan's progress



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and additional steps.

However, the plan does not address how hundreds of thousands of housing units, meeting the full spectrum of needs, will be built in the next decade.

First-time buyers and renters need to make noise because the only groups that have their backs are builders. (We want your business). If

that fails, it's probably time for Generation Screwed to move out of the GTHA — does that sound like a Fair Housing Plan?

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## Are we building enough housing in Ontario?



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In April, the Ontario Government announced a 16-point Fair Housing Plan in an attempt to cool the red-hot Greater Golden Horseshoe (GGH) housing market in southwestern Ontario.

The ninth point on the plan called for the creation of a "Housing Supply Team," with dedicated provincial employees tasked with identifying and eliminating barriers to new development.

This new group is expected to work with developers and municipalities to find tenable solutions to the problem of inadequate supply. This is a smart idea, and let's hope it produces meaningful results.

However, the Fair Housing Plan backgrounder included

a chart comparing housing starts to household formation that made this claim: Housing supply in Ontario seems to be aligning with demographics.

There are only a couple ways that a new household can be formed in Ontario: a new home or accessory dwelling must get built, or a vacant unit has to be filled.

So if you're not building enough housing, you're not going to get a big increase in household formation, as the vacancy rate is very low in most GGH municipalities.

An aging population, smaller new unit sizes, plus increases in vacation properties, AirBnB usage, and university enrollment have all prevented growth in vacancies.

Therefore, household formation and new housing starts or completions will always be fairly closely aligned over an extended period of time.

A better indicator of whether housing supply is meeting underlying demographic demand is how long are young people living at home with their parents, and how many young professionals are still living with one or two roommates.

Others have pointed to the 2016 Census and the slower population growth in the Greater Toronto Area as an indication that various levels of government should not push for supply, because people don't really want to move here.

The problem with that theory is, you don't need population growth to create new households. A single household with five children, could result in six future households (five new ones) if all of the offspring move out and live on their own!

It is also clear that high housing prices are driving people out of the GTA in search of more affordable housing in smaller Ontario municipalities.

The latest estimates for population growth in Ontario showed a net increase of nearly 219,000 people from Q2-2016 to Q1-2017, the largest annual increase since the 1990s. People clearly want to live in Toronto, but they can't afford it.

Sales of new low-rise housing in the GTA has exceeded supply in each of the last three years. In 2014 there were 1,500 more sales of new single-detached, semi-detached and townhouses than units brought to market by developers, in 2015 it was 3,000 more, and in 2016 it was 2,000 more (per Altus Data Solutions data).

In the first quarter of 2017, nearly 1,000 more low-rise units sold than were launched, and unsold supply dropped to just 932 units, down from around 17,000 a decade ago.

Urbanation Inc reported that unsold supply in the high-rise market fell to 6,481 units at the end of the first quarter, the lowest level in 15 years.

Demand for new housing is clearly exceeding supply, as pricing and rental rates have skyrocketed.

It is likely that many of the measures introduced in Ontario's Fair Housing Plan will help take the froth out of the market, and hopefully they result in some of the speculative buyers choosing to be more cautious.

The government can attempt to push down ownership demand in the short-term, but people still need to live somewhere, and allowing supply to more quickly respond to these surges in demand is an impor-

tant step in preventing runaway house prices.

More stable price inflation and more new housing units will be reduce risk for everyone in the market, and provide much needed new housing for many prospective buyers.

— *Ben Myers is senior vice-president, market research and analytics for Fortress Developments based in Toronto. Visit [www.fortressrealdevelopments.com](http://www.fortressrealdevelopments.com).*



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More stable prices and more new home construction will reduce the risk for everyone and provide much needed new housing for prospective buyers.