

# The Housing Supply Myth

Dr. John Rose,  
Instructor,  
Department of Geography and the Environment,  
Kwantlen Polytechnic University, Surrey, BC

Working Paper, Version 1  
November 24, 2017

This research was made possible by a paid (80%) Education Leave awarded to the author by Kwantlen Polytechnic University, from September 2016 to September 2017.

The arguments and opinions expressed in this report, however, are my own and do not necessarily reflect the views of the Department of Geography and the Environment or Kwantlen Polytechnic University.

© John Rose, 2017

Do Not Cite Without Attribution of the Source

## Preface:

This work represents a preliminary step in writing up the findings on housing affordability and supply generated by my research leave of September 2016 - September 2017. Resuming full-time teaching in the Fall term, I began to share the results of my research with colleagues—most notably in a public presentation on October 17, 2017 for the Kwantlen Polytechnic University Faculty of Arts Speaker Series.

Reaction to the presentation was very positive, and contacts with other scholars similarly engaged by my research led me to an interview with Kerry Gold of the *Globe and Mail* newspaper. In her November 17, 2017 article, “Academic Takes on Vancouver’s Housing Supply Myth,” I shared my perspectives on the supply argument for housing affordability, illustrated with some sample statistics yielded from my research and my earlier, public, presentation of the results.

Other researchers such as Andy Yan and Josh Gordon of SFU have made, and shared with the public on numerous occasions, the same fundamental point I raised in that article about the ‘housing supply’ position on the affordability crisis facing metropolitan Vancouver, Toronto, and other select centers. They have done an outstanding job of examining several elements of the housing supply argument. In light of this, the level of media, government, and public attention to my research came as some surprise to me. Perhaps it should not have, given the extremely high level of interest and concern generated by the housing topic, and my invitation to people to look critically at the supply numbers—including mine, drawn from publicly-available census and housing price data. For whatever reason, I seem to have touched a nerve.

Since the conclusion of my initial research (research really is an *ongoing* process, continuing through the writing process as new ideas and lines of inquiry open up in response to feedback and individual inspiration), I have been engaged in the process of writing an academic paper on my Canadian findings, with a more public-oriented paper to be written up and disseminated concurrently. However, in light of the many requests, since the *Globe and Mail* article and subsequent media engagements, to see the more detailed research findings I am pleased to present this publicly-oriented Working Paper, ‘Version 1’—the product of an accelerated and truncated writing process. Some of the framing of the research findings in this report may therefore be rudimentary at this stage, but I stand behind my presentation of the data and observations about housing supply and affordability, and welcome public comment on this working paper and the findings. Of course, my views can be changed by reasoned discourse.

## Executive Summary:

This report examines the argument that the housing affordability crisis in many Canadian cities is the product of a constrained supply of housing units. Utilizing publicly-available Statistics Canada census data, and examining the period from 2001-2016, the report evaluates the responsiveness of housing unit supply to resident demand across 33 Canadian Census Metropolitan Areas (CMAs).

The research findings indicate that there is little evidence to support claims that i) the supply of housing units is systematically more limited in expensive housing markets than in inexpensive ones, and that ii) the supply of housing units in expensive markets has been inadequate to keep up with growth in household numbers and maintain a healthy buffer stock of surplus housing units. In metropolitan Vancouver, especially, the imputed relationship among affordability, supply, and resident demand, has, in fact, been turned on its head: prices have skyrocketed at the same time as the proportion of surplus housing units, relative to the number of households, has *increased* over the 2001-2016 period.

The study therefore suggests that to the extent that unaffordability is attributed to a numerical lack of supply of dwelling units, stock surplus to residents' living needs must be being absorbed by other consumers in the marketplace—be they domestic or foreign speculators, visiting students, temporary workers, or those owning a second home in Canadian cities. If that is the case, and an argument is to still be presented in favour of addressing housing affordability by increasing the supply of dwellings to meet these other sources of demand, then it changes the conventional frame of reference through which the adequacy of housing supply has been measured, and how policies like residential densification have been explained and sold to the public.

## **The Housing Affordability Crisis:**

Across Canada, a seemingly endless list of stories and reports document a housing affordability crisis in several major urban markets, with the crunch being particularly acute in the metropolitan areas of Vancouver and Toronto. By 2016, within the *homeowner* market, the median dwelling price in metro Vancouver reached 11.8 times the median household income; for metro Toronto, the dwelling cost/income figure was 7.7—unprecedented levels. Both markets have been deemed ‘severely unaffordable’ (Cox and Pavletich, 2017) and that term surely captures the experience of prospective home purchasers, and renters too, faced with daunting housing costs in these markets.

A windfall for property owners whose dwellings have appreciated, often dramatically, in value since the early-2000s, the escalating cost of housing relative to incomes has produced several problems. Rising levels of household indebtedness, including debt to service housing costs, threaten to inhibit long-term investment and economic development. (Lombardi, Mohanti, and Shim, 2017) Real estate analysts warn of overinflated market bubbles ready to be burst, with all of the economic and social dislocation that process entails. (UBS, 2017) Local and regional business leaders identify high housing costs as a barrier to attracting talented workers and corporate headquarters. (Finlayson, 2016) Young adults express frustration at being shut out of ever-more expensive housing markets, or bearing significant costs to participate in them, spurring concerns about inter-generational and intra-generational disparities. (Anderssen, 2015)

In sum, the scale of housing cost escalation and the seriousness of the associated problems indicate that several Canadian cities face a housing affordability crisis. These problems demand research that accurately identifies the causes of escalating housing costs, so that effective solutions to the affordability crisis can be devised and implemented. This report is an effort in that direction.

## **Housing Supply Arguments:**

With 80% of Canadian households served by market housing (CMHC, 2017), explanations for the affordability crisis have understandably focused on factors affecting the supply and demand of housing units. While demand factors will be addressed in the context of the study findings,

this report's purpose is to explore the oft-expressed, but under-examined, argument that the degradation in housing affordability in select Canadian cities is the result of these markets being insufficiently supplied with housing units.

There are two related, though markedly different, branches of this 'constrained supply theory' of housing affordability. One branch, more commonly-voiced in the US and Australia, but also periodically offered up as an explanation of rising house prices in Canada, blames smart growth/sustainable urban development policies. These are comprised of a suite of approaches whose expressed purpose is to manage urban growth in a way that promotes environmental, economic, and social sustainability, and they have become key components of urban planning in Canada (see, for example, City of Toronto, 2015). One characteristic feature of smart growth/sustainable urban development is the restriction of urban sprawl through the imposition of urban containment boundaries, such as metro Toronto's Greenbelt and the Agricultural Land Reserve that brackets metro Vancouver. Arguing that these kinds of policies restrict the amount of developable land on the urban fringe and, therefore, the supply of housing units, Wendell Cox and Hugh Pavletich (2012) state:

The escalation of house prices relative to incomes, from Sydney and Vancouver and London and across California testify to the failure of planning to maintain a competitive land supply. The record shows that smart growth (urban consolidation and compact cities policies) is incompatible with housing affordability.

Much of the text beyond the market rankings themselves, in Cox and Pavletich's annual *Demographia* survey of housing affordability, is dedicated to pressing this argument, contrasting expensive markets with 'more restrictive' government regulations to 'less restrictive' inexpensive ones. The remedy prescribed for expensive markets is clear: remove smart growth/sustainable urban development regulations to free up the marketplace, let the city grow outward, and a sufficient supply of housing will be provided to meet resident demand, promoting affordable, stable, housing prices.

For the most part (though see Gray, 2016 and Crawley, 2017), those asserting that housing affordability in Canadian markets has worsened have not blamed sustainable urban development policies. On the contrary, the second branch of the constrained supply theory of housing affordability is framed *within* the context of such policies, especially that of residential densification. Residential densification is thus conceived as a means of providing sufficient units to satisfy ongoing demand for housing, while further enhancing affordability by providing households with lower cost options to detached homes. This variant of the constrained supply theory, therefore, states that the housing affordability problem is rooted in a residential

densification process that has not been *sufficiently* pursued—one that has been impeded by government policies (such as zoning regulations) which support the maintenance of the detached home housing stock, and by citizen resistance to neighbourhood up-zoning and redevelopment. In the words of University of British Columbia sociology professor Nathanael Lauster (2017):

Densification used to be a normal part of urban growth, particularly when land markets were left to their own devices. . . There were some mistakes planners made everywhere across North America, and I would argue one of the biggest was creating the Great House Reserve and setting so much land aside for single-family houses. . . Further enabling densification of single-family residential areas will go a long way toward opening up new market options for middle class Vancouverites.

The remedy prescribed for expensive markets is clear: relax government zoning laws that shelter single-family neighbourhoods from redevelopment, so as to free up the market, let the city grow upward, and a sufficient supply of housing will be provided to meet resident demand, promoting affordable, stable, housing prices. Not surprisingly, this imperative has been enthusiastically taken up by housing developers and marketers, industry organizations, and politicians across Canada, who have adapted to and promoted this new approach to housing provision in metropolitan areas, and who have joined the call for more housing units to be built as a means of addressing the affordability crisis (see, for example, Muir, 2015; McMullin, 2015; CBC, 2016; Palmer, 2016).

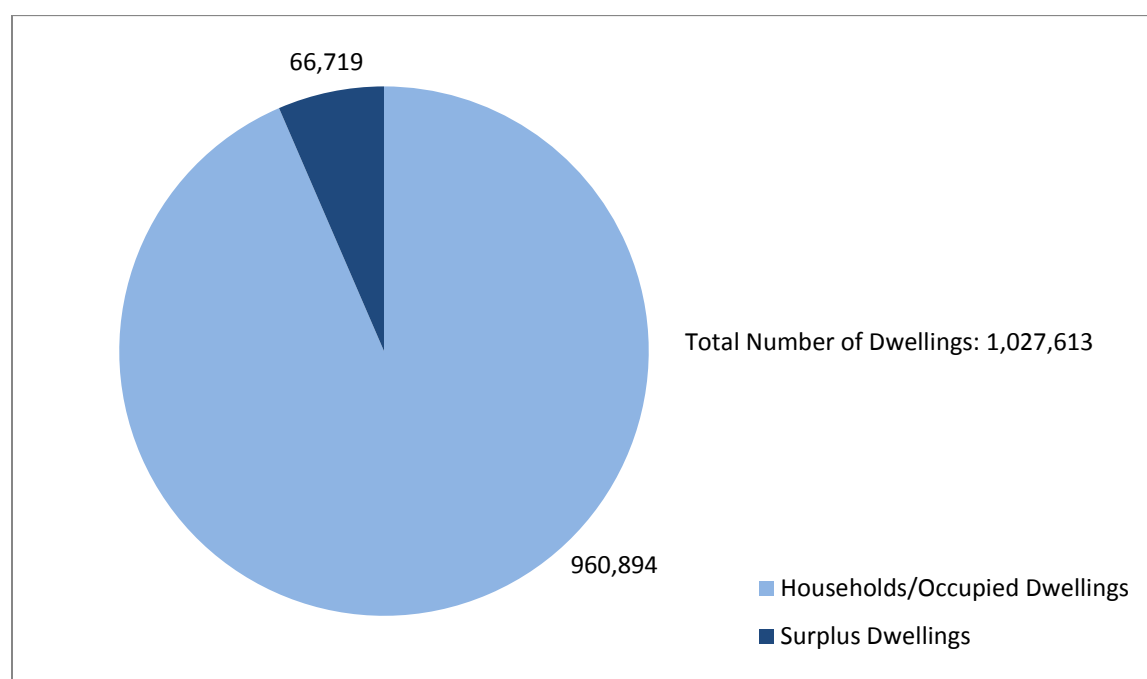
Two branches of the supply argument, then, with diametrically-opposed views on the role of smart growth/sustainable urban development policies. Yet they are views that converge in their attribution—in whole or in part—of the housing affordability crisis in Canadian cities to a lack of housing supply, and in their faith in the ability of unfettered markets to match supply to demand. These positions have been clearly-stated by their proponents, but little to no substantiation—beyond citing rising prices as *de facto* evidence of limited supply—has been offered to support the assertions made about the relationship between housing affordability in Canadian cities, and the status of housing supply in those cities. We now turn to examine these claims.

### **Study Methodology:**

This study examines the sufficiency and responsiveness of housing unit supply to effective resident demand across 33 Canadian Census Metropolitan Areas (CMAs), between 2001 and

2016. Housing unit supply and resident demand are determined using dwelling and household counts from the 2001, 2006, 2011, and 2016 *Censuses* of Canada. As shown in the sample illustration of the metropolitan Vancouver housing market provided in Figure 1, the total number of dwelling units in each CMA is compared with reference to the number of occupied dwellings: those occupied by a person or group of persons (i.e. a ‘household’), as their permanent residence. This figure includes dwellings whose usual residents were away on the day of the census. From this figure the number of *surplus* units in each market, for each census year, is derived.<sup>1</sup> This surplus can be expressed in raw numbers or as a percentage of the total number of dwellings.

**Figure 1: Housing Supply and Effective Resident Demand, Metropolitan Vancouver, 2016**



This provides a very short-term snapshot measure of the adequacy of housing unit supply: its ability to meet the current shelter needs of permanent residents, while providing a buffer stock of surplus housing that accommodates new household formation (through in-migration or through people leaving an existing household to form a new one, as with young adults ‘leaving the nest’), and changes of residence within the metropolitan area. The responsiveness of housing unit supply in relation to resident demand over longer periods of time—across the 15

<sup>1</sup> These surplus housing units include unoccupied units, plus those dwellings occupied solely by foreign residents and/or by temporarily present persons. More detailed discussion of these units, as they relate to the ‘constrained supply theory’ of housing affordability, appears later in this report.

years from 2001 to 2016—can also be tracked using these figures. This 15 year period of assessment prevents the analysis from being distorted by shorter term periods of expansion and contraction in the housing stock and household numbers. Net changes in the total number of dwelling units and the total number of households can be calculated from one census year to the next. Dividing the net number of dwelling units added by the net number of households added during a designated period covered by the census produces a simple, illustrative statistic of the responsiveness of supply to demographic growth: *the net number of dwellings added per net household added*.

Permanent resident households are explicitly used as the demand benchmark for measuring the sufficiency and responsiveness of housing supply in this report for several reasons. For one, it is the measure of demand conventionally used by local governments, the CMHC, and financial institutions in evaluating the past performance of urban housing markets and to project future requirements for housing units. Secondly, it has been the measure of demand used—implicitly (in public pronouncements about ‘population growth’ precipitating a need for housing) and explicitly by various stakeholders to justify construction of more housing units. Finally, it is the needs of permanent resident households that constitute the expressed ethical core of both branches of the supply argument of housing affordability: those advocating the eradication of urban containment boundaries and smart growth policies frame their argument in the language of the ‘home-owning, sovereign citizen’; others, pushing for further densification, speak the language of ‘sustainability’ and ‘liveability’—not ‘visit-ability’ or ‘invest-ability’.

With housing supply and demand figures derived for Canadian CMAs using the methodology above, comparisons are drawn between expensive and inexpensive metropolitan housing markets, using housing price/household income ratios derived from Statistics Canada census data (for 2001) and from the *Demographia International Housing Affordability Survey*, for 2016.<sup>2</sup> The report’s primary focus, therefore, is on the home purchaser market, rather than the

---

<sup>2</sup> I should note that the 2001 figures for housing price and income are both *average* figures, while those used in the Demographia report are *median* figures. Though it is not ideal to use two different measures of central tendency in such a comparison, there are no median price/income numbers available for these 33 CMAs for 2001, as the Demographia report only goes back to 2005 and no other broad sources tracking median incomes and house prices for all of these cities are available. If there is any systematic difference among the CMAs in 2001 in terms of the difference between average and median figures for housing costs, I suspect that high-end properties in major markets such as metro Vancouver and Toronto would skew their mean values up beyond the median; this would have the effect of making the measure of house price lower than the means I have used here, and, therefore, the calculated house price/income ratio lower—so the change in house price/income between 2001-2016 would be even more dramatic (i.e. the degradation of affordability would be even worse than what the figures indicate here). At any rate, the fact of house price escalation in these markets is not under dispute, to this all amounts to a technical discussion of the methods used, rather than of a substantive caveat to the findings—which are, primarily,



rental market, though clearly costs generated in the buyer's market translate into costs in the rental market, as property owners letting out units adjust rents to defray financing and other costs.

## Research Findings:

Surveying Table 1, we see that only seven of Canada's 33 Census Metropolitan Areas (CMAs) would be deemed affordable—with the price of a typical housing unit (considering together, the prices of condos, townhouses, and detached homes) at, or below, three times the typical household income. This is based on what the *Demographia* survey defines as a 'historical norm' of affordability. Some nine markets have house price/income figures that 'moderately unaffordable' (3.1-4.0), while ten are deemed 'seriously unaffordable' (4.1-5.0). Finally, we reach those markets classified as 'severely unaffordable': with house price/income figures of 5.1 and over, some seven markets. Within this group, metropolitan Vancouver stands out as exceptionally unaffordable, with a 2016 price/income figure of 11.8.

Column three of Table 1, "Change in Ratio 2001-2016" also shows, however, that for most Canadian CMAs, the *escalation* of the price/income figure was fairly moderate. In 26 of the 33 metropolitan areas, over this fifteen-year period the price/income figure rose by less than a value of two (a value of two would mean that housing prices would have grown at a rate double that of incomes). As Josh Gordon (2016) explains, this broad scale—but generally modest—rise in the price/income figure over this fifteen-year period can be thought of as the product of historically low interest rates that have allowed households to purchase housing units at higher prices than they would have otherwise been able to, creating a generalized price inflation in housing costs relative to household incomes. However, the seven most expensive markets in 2016 were also those that witnessed the greatest degradation in housing affordability in the 2001-2016 period, with the ratio of house prices/income escalating by a factor of two or more. Again, metropolitan Vancouver stands out with its exceptionally high price/income value; from 2001-2016, the price of a typical home had grown six times more than did household income. Toronto, Victoria, Abbotsford-Mission, show less spectacular, but still disquieting, degradations in housing affordability, with the price/income figure essentially trebling in these markets over this time period.

---

noteworthy in that they examine the relative supply of housing units, based on data collected and represented consistently by Statistics Canada across its censuses.

**Table 1: Housing Affordability in Census Metropolitan Areas, 2001-2016**

CMA	Dwelling Price: Household Income Ratio		Change in Ratio
	2001	2016	2001-2016
Vancouver	5.9	11.8	5.9
Victoria	5.3	8.1	2.8
Toronto	4.6	7.7	3.1
Abbotsford-Mission	4	7	3
Kelowna	4.4	6.4	2
Hamilton	3.5	5.7	2.2
Oshawa	2.9	5.1	2.2
Barrie	3.1	5	1.9
Peterborough	3.4	5	1.6
Brantford	3.1	4.9	1.8
Montreal	3.4	4.8	1.4
Guelph	3.3	4.7	1.4
Calgary	3.4	4.6	1.2
Saskatoon	3	4.5	1.5
Sherbrooke	2.7	4.2	1.5
Edmonton	2.8	4.1	1.3
Kitchener-Camb.-Waterloo	3.1	4.1	1
St. Catharines-Niagara	3.2	3.9	0.7
Halifax	2.9	3.9	1
Ottawa-Gatineau	2.9	3.9	1
Kingston	3.3	3.9	0.6
St. John's	2.6	3.8	1.2
London	3.3	3.8	0.5
Winnipeg	2.3	3.7	1.4
Regina	2.3	3.6	1.3
Quebec City	2.4	3.6	1.2
Thunder Bay	2.7	3	0.3
Greater Sudbury	2.7	2.9	0.2
Windsor	3	2.7	-0.3
Trois-Rivieres	2.3	2.6	0.3
Saguenay	2	2.5	0.5
Saint John	2.4	2.4	0
Moncton	2.2	2.1	-0.1

Source: Statistics Canada, 2001; Cox and Pavletich, 2017 (2016 Q3 Housing Price Data)

To summarize, while the housing price/income ratios have risen across almost all Canadian metropolitan areas in the 2001-2015 timespan, seven markets collectively stand out for having severely unaffordable housing cost/income ratios of 5.1 or more. These are also the markets that have had the worst degradation of affordability in these fifteen years, with housing costs rising by a factor of two or more relative to household incomes. What makes these cities, and especially metropolitan Vancouver, so special? Is it a lack of housing provision as the supply-side commentators have argued?

The responsiveness of housing supply, from 2001-2016, to changes in resident household demand is illustrated in Table 2, using the *net number of dwellings added per net household added* metric described in the “Study Methodology” section of this report. To explain: a figure of 1.00 in the third column of the table, “2001-2006 Net Dwellings Added Per Net Household Added,” would mean that for each net household added to a metropolitan region during this time (whether due to the in-migration of people or through internal processes of household formation), there would be a net addition of one housing unit to the overall housing stock—a rate that would keep pace with growth in the number of households, but not add anything to the surplus stock (described with reference to Figure 1, earlier in the paper).

In fact, if the figure for the provision of units *was* 1.00—and the number of households were to grow substantially during the period under study, then by the end of the period the *relative* share of ‘surplus’ units, as a % of total units in the market, would decrease—in other words, there would be less of a % surplus available in that housing market by the end of the period to accommodate new households in the short-term, and a city could find itself in a housing supply crunch. In practice, the *net number of dwellings added per net household added* figure will have to be at some level over 1.00 to maintain a sufficient buffer stock of surplus housing units in the overall housing marketplace.

Reviewing Table 2, we see that—to just focus on the seven ‘severely unaffordable’ metropolitan markets, six out of the seven markets, Vancouver, Victoria, Toronto, Abbotsford-Mission, Kelowna, and Hamilton had net number of dwellings added per net household added ratios well in excess of 1.00, with an average of 1.16. The laggard among the class of ‘severely unaffordable’ markets is Oshawa, with a supply figure of 1.04 just keeping pace with demographic demand over the 2001-2016 period. For the less expensive remainder of the 33 markets, the net number of dwellings added per net household added average was 1.13.

**Table 2: Changes in Housing Supply and Resident Household Demand in Census Metropolitan Areas, 2001-2016**

<b>CMA</b>	<b>2001-2016 Net Dwelling Unit Growth</b>	<b>2001-2016 Net Household Growth</b>	<b>2001-2016 Net Dwellings Added Per Net Household Added</b>
Vancouver	241,336	202,184	1.19
Victoria	30,574	27,116	1.13
Toronto	564,058	501,154	1.13
Abbotsford-Mission	13,415	11,606	1.16
Kelowna	25,699	21,503	1.20
Hamilton	45,066	40,265	1.12
Oshawa	36,015	34,757	1.04
Barrie	19,946	20,129	0.99
Peterborough	10829	9,903	1.09
Brantford	41,455	38,684	1.07
Montreal	349,790	309,950	1.13
Guelph	17,070	15,060	1.13
Calgary	176,338	163,323	1.08
Saskatoon	30,078	26,343	1.14
Sherbrooke	33,864	29,292	1.16
Edmonton	165,726	145,628	1.14
Kitchener-Camb.-Waterloo	52,161	47,220	1.11
St. Catharines-Niagara	21,574	17,615	1.23
Halifax	34,125	29,024	1.18
Ottawa-Gatineau	140,406	119,559	1.17
Kingston	11,290	9,580	1.18
St. John's	23,235	20,185	1.15
London	36,804	33,323	1.10
Winnipeg	41,204	36,565	1.13
Regina	20,947	18,305	1.14
Ouebec City	71,482	66,786	1.07
Thunder Bay	3,056	3,000	1.02
Greater Sudbury	7,796	7,300	1.07
Windsor	16,311	15,202	1.07
Trois-Rivieres	13,248	12,922	1.03
Saguenay	12,850	10,284	1.25
Saint John	6,623	4,612	1.44
Moncton	17,759	14,949	1.19

**Source:** Data from Statistics Canada, 2001; Statistics Canada, 2016.

So, in assessing these figures, we can state that the expensive markets are providing not only enough units to satisfy growth in the number of households between 2001 and 2016, but to also provide (in absolute terms) surplus units to the market at rates comparable to (indeed, slightly higher than) less expensive markets. But are these additions sufficient to maintain the relative supply of surplus housing stock? A comparison of surplus % rates at the end of the period, versus the beginning of it, will help assess the degree of surplus supply. Should the surplus % remain the same, then the provision of units was sufficient to keep pace with population growth while also maintaining a consistent supply of surplus stock relative to the overall number of dwelling units in the market. Should the surplus % increase, then housing provision during the period would have been enough to not only to satisfy demographic growth and maintain the surplus share, but to actually *increase* the number of surplus units in the buffer stock.

Table 3 shows the changing proportions of the surplus stock, as a % of the total number of housing units, for 2001, 2006, 2011, and 2016, across the 33 CMAs of this study. As can be seen by examining the figures for each metropolitan area, there are some intriguing variations in the amount of surplus housing stock for each five year census period—shorter term contractions and expansions (some quite significant in size—see Calgary between 2001 and 2006!)—during the 15 year period of this study. Of interest are the rapid expansions in surplus stock in metro Vancouver and Toronto during the 2001 - 2006 period, and the maintenance of consistent levels of surplus housing from 2006 - 2016. Examining the final column of the table, we see the implications of the net number of dwellings added per net household added figures discussed in the previous section. In all of the seven ‘severely unaffordable’ markets where housing affordability degraded most significantly between 2001 and 2016, the relative amount of surplus dwellings, as a % share of total dwellings, increased in number.

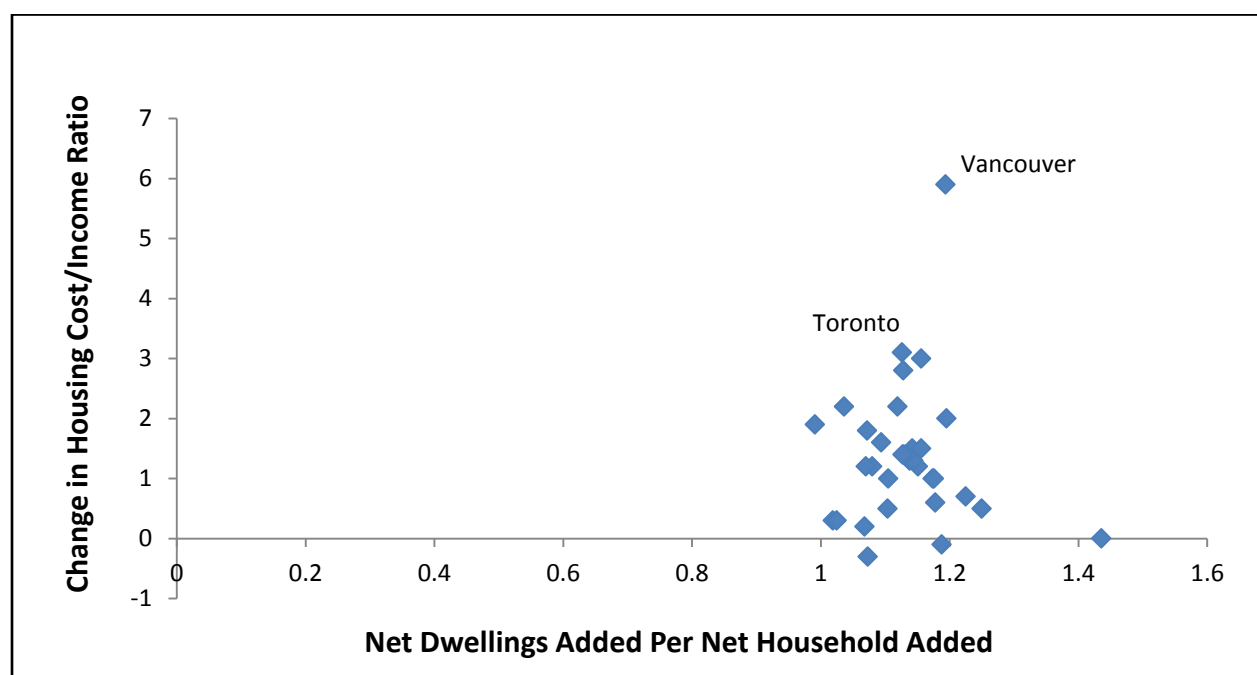
Figures 2 and 3 conclude the analysis and bring together this report’s perspective on the ‘constrained supply thesis’ of the housing affordability crisis affecting select Canadian metropolitan areas. Those challenging smart growth and, especially, urban containment boundaries, have claimed that a decisive difference between more- and less-affordable housing markets is their ability to respond, through the provision of housing units, to growth in household numbers. That ability is presumed to be negatively impacted in cities that have employed these methods of curbing urban expansion. Following this thesis, one might expect to discern a negative correlation in the distribution of points in Figure 2, with less expensive markets being distinguished by a superior ratio of housing units added per household added. Yet that is not the case, and nor do we see any real trend in the provision of surplus units (Figure 3) that would support this argument. In almost all of the CMAs, the relative share

**Table 3: Changes in Housing Surpluses in Census Metropolitan Areas, 2001-2016**

CMA	Surplus Dwellings as % of Total Dwellings				Change in Surplus %
	2001	2006	2011	2016	2001-2016
Vancouver	3.506	6.195	6.132	6.493	2.987
Victoria	4.497	6.337	8.313	5.704	1.207
Toronto	2.174	4.928	4.316	4.44	2.266
Abbotsford-Mission	2.906	3.702	7.057	5.057	2.151
Kelowna	4.46	6.905	10.61	7.911	3.451
Hamilton	3.023	4.608	4.067	4.146	1.123
Oshawa	2.106	3.505	3.235	2.457	0.351
Barrie	7.067	5.197	5.935	4.981	-2.086
Peterborough	9.375	10.54	9.086	9.215	-0.16
Brantford	2.956	3.3	4.335	4.981	2.025
Montreal	3.809	4.259	4.89	5.264	1.455
Guelph	4.397	6.436	7.57	6.386	1.989
Calgary	3.3	14.612	5.006	4.621	1.321
Saskatoon	6.07	5.762	5.509	7.601	1.531
Sherbrooke	8.215	7.769	8.822	9.903	1.688
Edmonton	4.139	4.886	6.524	6.601	2.462
Kitchener-Camb.-Waterloo	3.44	4.956	5.344	4.932	1.492
St. Catharines-Niagara	5.132	6.089	7.963	6.711	1.579
Halifax	5.815	6.968	6.848	7.478	1.663
Ottawa-Gatineau	3.436	6.108	5.315	6.241	2.805
Kingston	11.457	11.464	10.72	12	0.543
St. John's	6.204	6.851	6.603	7.946	1.742
London	5.73	6.661	7.67	6.352	0.622
Winnipeg	3.673	3.48	4.417	4.645	0.972
Regina	5.103	5.5	5.02	6.65	1.547
Quebec City	5.058	4.747	4.304	5.34	0.282
Thunder Bay	8.403	7.477	7.15	8.051	-0.352
Greater Sudbury	8.25	6.593	6.832	8.058	-0.192
Windsor	5.147	6.091	7.48	5.339	0.192
Trois-Rivieres	7.608	5.233	6.279	6.731	-0.877
Saguenay	4.489	4.222	5.774	7.04	2.551
Saint John	6.789	8.353	7.915	9.463	2.674
Moncton	4.332	6.622	6.585	7.391	3.059

Source: Data from Statistics Canada, 2001; Statistics Canada, 2016.

**Figure 2: Changes in Supply, Resident Demand, and Affordability, Canadian CMAs, 2001-2016**

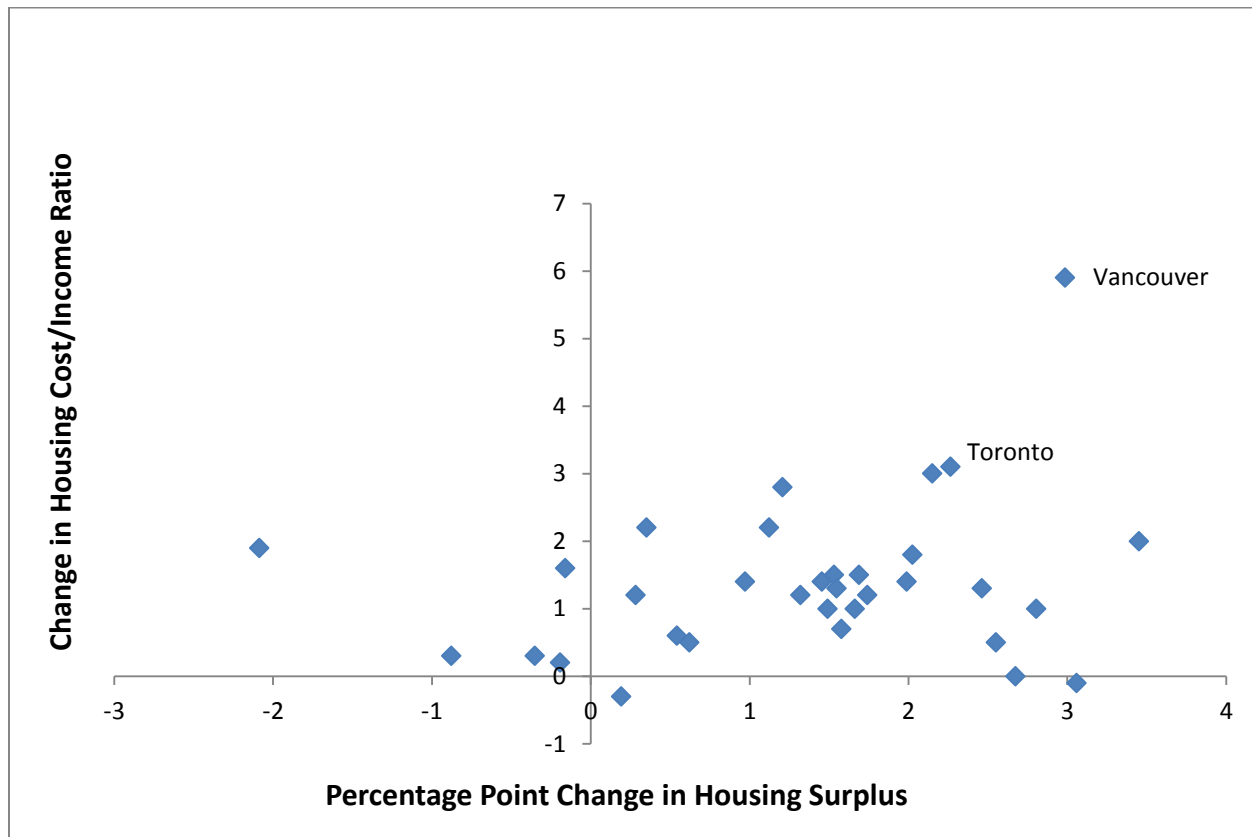


Source: Data from Statistics Canada, 2001; Statistics Canada, 2016; Cox and Pavletich, 2017. (2016 Q3 Housing Price Data)

of the overall stock of dwellings represented by surplus stock grew during this 15 year period, and within the top right-hand quadrant of the chart (markets that expanded their surplus while becoming, to some degree, less affordable during this time) there is no significant trend to indicate that the more expensive markets are more supply-constrained than less expensive ones—far from it, in the exceptional case of the metropolitan Vancouver market.

So it would seem that over the past 15 years, cities like metropolitan Vancouver and Toronto have been able—within the confines of urban containment boundaries, not to mention other sustainable urban development policies—to supply housing units in numbers that not only satisfy the demands represented by increases in the numbers of households, but to maintain, indeed, expand, the surplus stock of dwellings. This runs contrary to the second supply thesis, the one that argues that cities like metropolitan Vancouver have become unaffordable because of governmental foot-dragging on densification. If the analysis here presents an accurate picture of the affordability/housing supply/resident demand situation in Canadian cities, then where do we turn to explain the price escalation witnessed in them?

**Figure 3: Changes in Housing Surplus and Affordability, Canadian CMAs, 2001-2016**



Source: Data from Statistics Canada, 2001; Statistics Canada, 2016; Cox and Pavletich, 2017.  
(2016 Q3 Housing Price Data)

### Concluding Thoughts:

I have given this report the provocative title, *The Housing Supply Myth*, for two reasons. At the outset of this research, I was frustrated by the lack of empirical substance in the supply perspectives on Canadian cities experiencing rapid price escalation. To me, the accounts had the characteristics of myths, in the sense of them being “popular beliefs or traditions that have grown up around something or someone; especially one embodying the ideals and institutions of a society or segment of society.” (Merriam-Webster, 2017) As noted in the summary of the supply arguments presented earlier in this paper, perspectives on government regulation, the marketplace, and what the ideal city looks like and works thread through these perspectives. That is not to say that these myths about housing supply and affordability are necessarily *untrue*, but that their status as taken-for-granted ‘facts’ demands interrogation.



That is what I have tried to do here, and my findings lead me to the conclusion that the housing supply arguments which assert that select Canadian cities have become unaffordable due to a lack of housing supply are “myths” in the more commonly-used form of the word—that they are a false notion. My research shows that there has been degrading affordability in cities like metro Vancouver at the same time as the growth in housing units has been more than sufficient to pace growth in resident households; so sufficient, in fact, that the stock of surplus housing units *grew* in unaffordable markets between 2001-2016.

As CHMC data (2016) show, housing completions in Canada have traditionally matched very well the patterns of household formation. That traditional pattern seems to have shifted in the 2000s, as my data (and this CHMC source, too) show: towards a surplus of housing stock being built beyond resident needs. If this is not enough to address housing affordability for residents then we have to ask ourselves “why is this”? If this provokes people to answer: “things are changing and we need more supply to provide housing to non-permanent residents, too,” or “we need to flood the market with supply to create a glut that drives down prices so that speculators can’t profit,” or “we need to densify so that builders can out-bid foreign speculators building mansions in single-family neighbourhoods”—positions I have heard and seen since the publication of the *Globe and Mail* story—then so be it. Let’s get that out in the open and have an honest public discussion about housing supply and affordability, and how we can go ahead and tackle the problem going forward.

## Works Cited:

- Anderssen, E. 2015. "Growing Generational Divisions are a Worrying Millennial Shift." *The Globe and Mail*. April 23. <https://www.theglobeandmail.com/life/parenting/growing-generational-divisions-are-a-worrying-millennial-shift/article24083323/>
- Canada Mortgage and Housing Corporation (CMHC). 2016. *Long Term Household Growth Projections 2015 Update*. Research Highlight. <https://www.cmhc-schl.gc.ca/odpub/pdf/68532.pdf>
- Canada Mortgage and Housing Corporation (CMHC). 2017. *About Affordable Housing in Canada*. [https://www.cmhc-schl.gc.ca/en/inpr/afhoce/afhoce\\_021.cfm](https://www.cmhc-schl.gc.ca/en/inpr/afhoce/afhoce_021.cfm)
- Canadian Broadcasting Corporation (CBC). 2016. "No Place Like Home." *The Exchange*. June 22. <http://www.cbc.ca/player/play/710870083751>
- City of Toronto. 2015. *Toronto Official Plan*. Toronto: City of Toronto Planning Department. <https://www1.toronto.ca/planning/chapters1-5.pdf>
- Cooper, S. 2017. "Clark, Wat Met Hong Kong Developers While Foreign Investor Debate Roiled in BC." *Vancouver Sun*. November 14. <http://vancouversun.com/news/local-news/clark-wat-met-hong-kong-developers-while-foreign-investor-debate-roiled-b-c>
- Cox, W. and H. Pavletich. 2017. *13<sup>th</sup> Annual Demographia International Housing Affordability Survey: 2017*. St. Louis, MO: Demographia.
- Crawley, M. 2017. "Developers Tell Province High Density Rules Fuelling GTA Red-Hot Market." *CBC News*. April 5. <http://www.cbc.ca/news/canada/toronto/gta-housing-prices-real-estate-market-supply-1.4055109>
- Finlayson, J. 2016. "Some Musings on the Metro Vancouver Real Estate Market." *BC Business Matters: BCBC Blog*. Business Council of British Columbia. <http://www.bcbc.com/bcbc-blog/2016/some-musings-on-the-metro-vancouver-real-estate-market>
- Gray, J. 2016. "Is the Greenbelt Squeezing Toronto's Housing Market?" *The Globe and Mail*. October 14. <https://www.theglobeandmail.com/news/toronto/is-the-greenbelt-squeezing-torontos-housingmarket/article32369107/>
- Gordon, J. 2016. *Vancouver's Housing Affordability Crisis: Causes, Consequences and Solutions*. May 2. Centre for Public Policy Research. Burnaby: Simon Fraser University. [http://www.sfu.ca/mpp/centre\\_for\\_public\\_policy\\_research/cppr.html](http://www.sfu.ca/mpp/centre_for_public_policy_research/cppr.html)

- Lauster, N. 2017. *Sociology Prof Nathanael Lauster on the Death of the Single-Family House in Vancouver*. The University of British Columbia, Faculty of Arts. Webpage. <https://www.arts.ubc.ca/single-family-houses-a-dying-breed-in-vancouver-sociologist-nathan-lauster/>
- Lombardi, M., Mohanti, M., and I. Shim. 2017. *The Real Effects of Household Debt in the Short and Long Run*. BIS Working Papers, January. Basel: Bank for International Settlements. <https://www.bis.org/publ/work607.pdf>
- Merriam-Webster. 2017. Definition of MYTH. <https://www.merriam-webster.com/dictionary/myth>
- McMullin, A. 2015. *UDI Position on Proposed Luxury and Speculation Taxes*. Memorandum. Vancouver: Urban Development Institute. <http://udi.bc.ca/wp-content/uploads/2017/02/Speculation-Tax-Memo-June-17-2015.pdf>
- Muir, C. 2015. "Opinion: Facts Fail to Support Foreign Buyer Fears." *Vancouver Sun*. April 4. <http://www.vancouversun.com/business/Opinion+Facts+fail+support+foreign+buyer+fears/11109581/story.html>
- Palmer, V. 2016. "Solve Housing Crisis by Getting More Homes on the Market, Says Finance Minister." *Vancouver Sun*. May 20. <http://vancouversun.com/opinion/columnists/vaughn-palmer-solve-housing-crisis-by-getting-more-homes-on-the-market-says-finance-minister>
- Statistics Canada. 2001. *2001 Census Profiles*. <http://www12.statcan.gc.ca/english/profil01/CP01/Index.cfm?Lang=E>
- Statistics Canada. 2006. *2006 Census Profiles*. <http://www12.statcan.gc.ca/census-recensement/2006/dp-pd/prof/92-591/index.cfm?Lang=E>
- Statistics Canada. 2011. *2011 Census Profiles*. <http://www12.statcan.gc.ca/censusrecensement/2011/dp-pd/prof/index.cfm?Lang=E>
- Statistics Canada. 2016. *Census Profile, 2016 Census*. <http://www12.statcan.gc.ca/census-recensement/2016/dp-pd/prof/index.cfm?Lang=E>
- UBS. 2017. *UBS Global Real Estate Bubble Index*. House View by the Chief Investment Office. 28 September. Zurich and Basel: UBS.