

Price retreat a time for policy advance

Affordable housing is a creation of the supply of developable land that matches demand



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There are a few lessons to be learned from our wild ride on this last steep upward swing in housing market cycles in Metro Vancouver.

After more than a seven-year climb, it's obvious the market has reached its peak and is now descending.

Things crested a little quicker than most expected, thanks to the hysteria and fear that reverberated through world financial markets after the U.S. credit crunch a few weeks ago. Quite apart from this dramatic turn of events, we knew the peak was in sight and the wave was about to crest. It was inevitable, if for no other reason than the employment growth that had fuelled local demand for housing had to slow as major pre-Olympic employ-

ment-generating construction projects are nearing completion. It has now happened.

However, the downward trend in both demand and prices doesn't appear to be nearly as steep as the climb we've experienced these past few years. In fact, it looks like we're headed to a more normalized market. I believe we will see a softening over the next few months and a gentle downward dip. The good news is that it looks like that dip will end up smoothing out the peaks and valleys of a market where demand has for too long outpaced supply.

Supply and demand are the key words in any lesson that we can learn from where our local housing market has been and where it is headed. To avoid boom-and-bust cycles that are characterized by wild swings in prices, we need to look at how we can better supply the market.

Many are tempted to rejoice in a return to a market in equilibrium where first-time buyers might again be able to afford to enter the new home market. Others, like the author of a recent letter to the editor in this newspaper, see silver lining in the slower pace of growth that will accompany a slowing market.

Yes, rejoice we should that over the short term, prices will come down

because demand is quickly lagging. But let's also look longer term and figure out how we can supply a diversity of housing types at prices that are affordable to all segments of the market over time. People will continue to migrate to Metro Vancouver. Our population will continue to age and housing choices will change, with older age groups looking for alternatives to their large single-family homes.

The land supply is limited in our geographically constrained metropolitan region. These are the inevitable constraints on future housing supply — most of which we can't control. They are what will continue to put pressure on prices, regardless of whether or not we are in a market driven by local economic fundamentals or more macro world economic pressures.

The key to a more stable long-term cycle in the housing market is adequate supply over time.

Stopping growth won't accomplish this. That's why celebrating the slowdown in development and construction that results from our current lag in demand is just as dangerous as celebrating the unearned paper profits that many measured as we rode this last steep climb in prices.

As the hysteria of our latest over-the-top ride begins to calm, it is time

to look at how we can continue to supply housing in Metro Vancouver at a pace that matches demand so that we don't see wild price swings again.

One way of better matching supply to changing demand is shortening the time it takes for builders to bring product to the market. Right now, there is a three- to four-year lag time between deciding to build a housing development and actually completing the project.

These lag times make it difficult to respond quickly enough to consumer demand when it exists and avoid shortages that push up prices. To accomplish this, the often cumbersome land use and development approval processes that are mired in unpredictable discretionary bureaucratic decision-making and reactionary politics need to be reformed.

We also need more comprehensive planning on a regional scale to provide predictability and to target those areas where future growth can occur.

These and other reforms will allow for a more orderly market, smoothing out the peaks and valleys of what will always be a cyclical housing market.

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