

Market Affordable Housing

Minimizing numbers in core housing need
the role of the public sector

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Market Affordable Housing

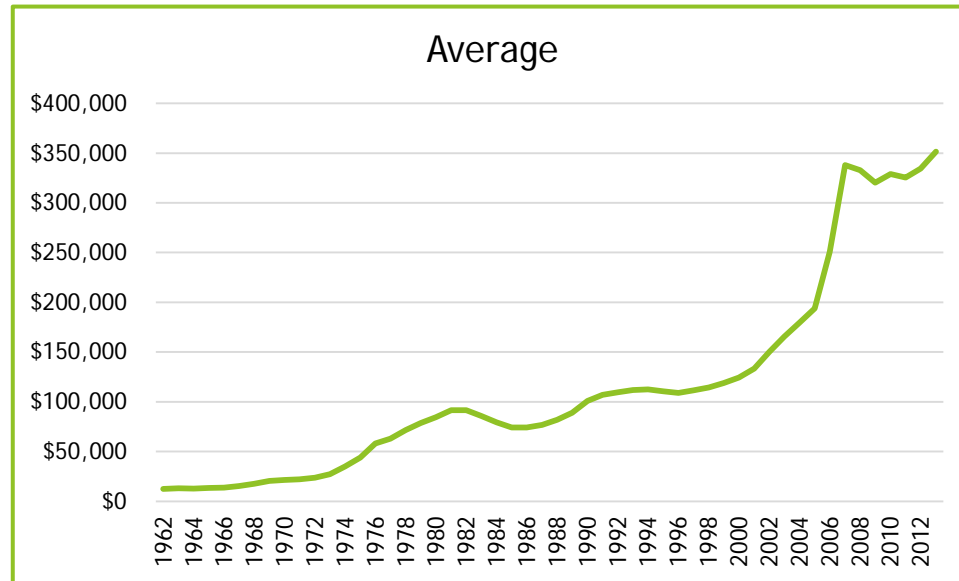
- ▶ Historically on a Canada wide basis 12-15% of the population falls into “Core Housing Need” status
- ▶ Housing policy usually starts with clarifying the number and targeting how to help
- ▶ In my opinion housing policy should first address what can be done within the market to see if core housing numbers need can be reduced and if in doing so we can also help those above the line

Market Affordable Housing

- ▶ There are typically four factors impacting market housing costs:
 1. Supply demand balance
 2. Input costs (development & housing)
 3. Finance costs
 4. Operational costs over the life span of the home

Supply & Demand

- ▶ Average home prices in Edmonton since 1962



Supply & Demand

- ▶ In 5 out of 50 years the price increase of all housing stock (not just new homes) grew over 25%
- ▶ Those increases link to supply constraints in land/approvals/trades
- ▶ In 2014/2015 Calgary saw home prices rise at almost twice the pace of Edmonton due to artificial supply constraint rather than cost factors

Input Costs

1. Finance
 2. Trades & Suppliers
 3. Increasing Standards(development/housing)
 4. Increase scope of costs
- Public sector regulation and finance considerations drive much of items 3 & 4 and indirectly impact 1 & 2 as increasing housing and development costs are factors in business and wage costs

Increasing standards

1) 1972 Honda Civic



2) 2016 Honda Civic



3) 2016 Chevrolet Spark



Increasing standards

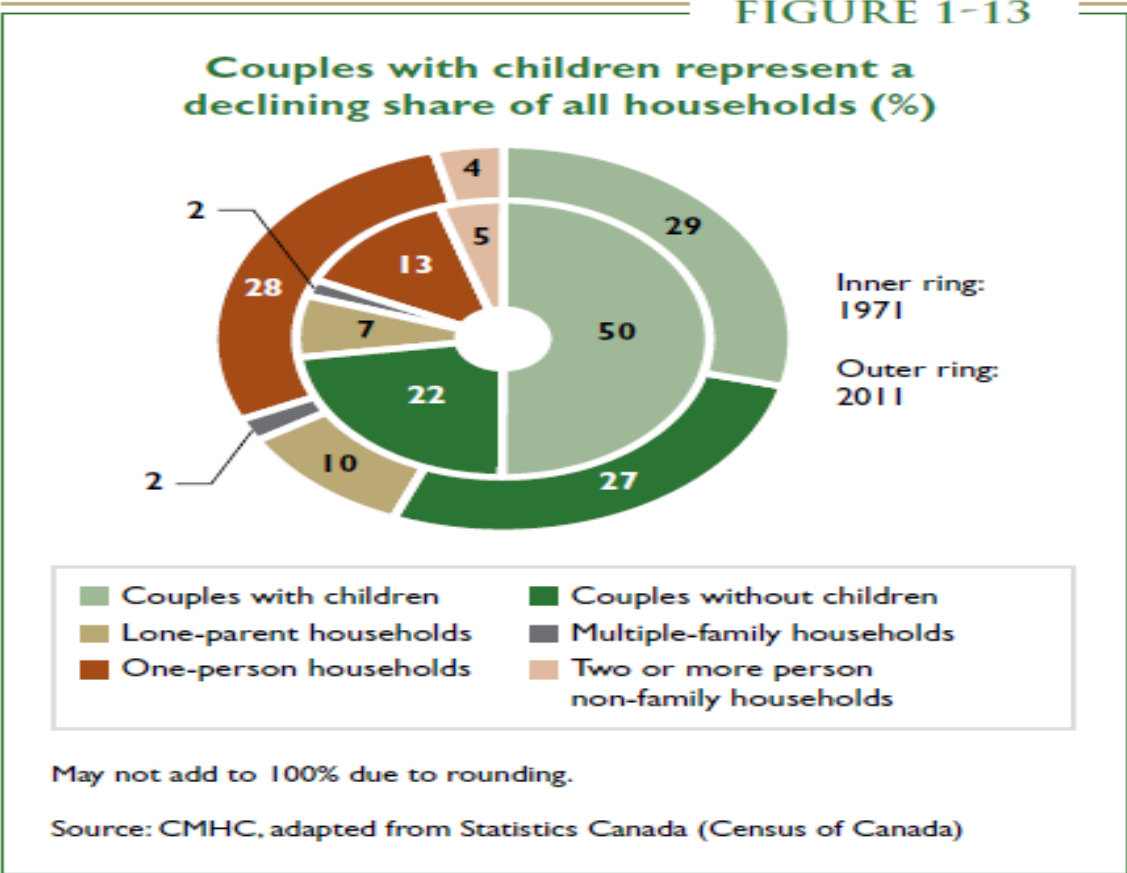
- ▶ Most demands for changes to our city standards come from those who can afford a new civic or maybe a Cadillac Escalade
- ▶ Do our public standards prevent us from producing today's housing version of a 2016 Chevrolet Spark?
 - Neighborhood standards
 - Building standards
 - Zoning limitations

Increasing Scope of Costs

- ▶ Public infrastructure funding is increasingly shifting to developer (home buyer) costs
- ▶ With increasing new development costs there are increasing risks/finance costs for developers and increased costs to home owners
- ▶ Take the Edmonton area for example - home buyers paying for roads in mortgages a decade before they are built
- ▶ Recreation Levy - links further recreation facilities to homes and their mortgages today for a facility that may be constructed in 5-10 years
- ▶ \$500 towards a pool may cause the home buyer \$1500
- ▶ A levy paid over time may make more sense and may not have the impact of elevating overall market prices for existing homes

Who is the customer of the future?

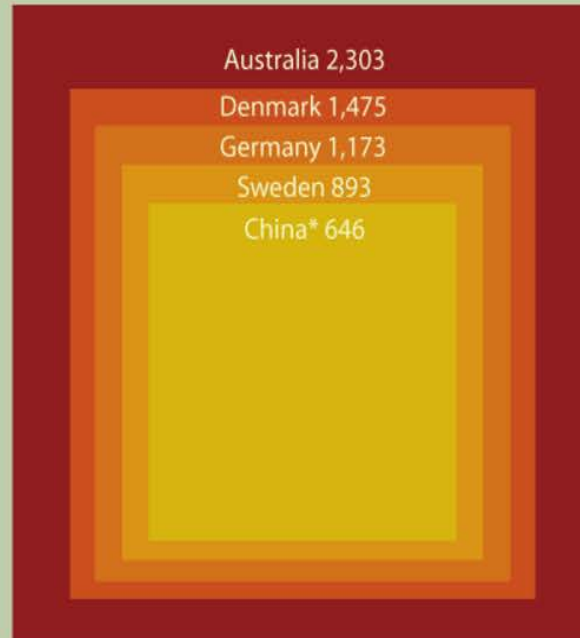
- ▶ Households with children declining from 57% to 39%
- ▶ One person households increasing from 13% to 28%
- ▶ Builders respond to these trends we do not cause them



Average House Size By Country

How big is a house?

Average new home size around the globe in ft²



Sources: CommSec, RBA, UN, US Census

shrinkthatfootprint.com

Note: data for 2009 builds, * China figures urban only

Customer of The Future

We must ensure the market can serve each customer

