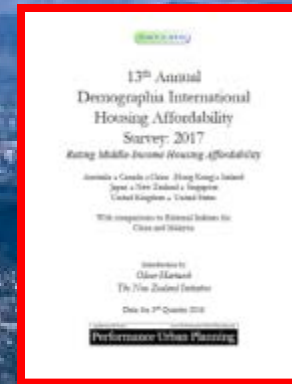
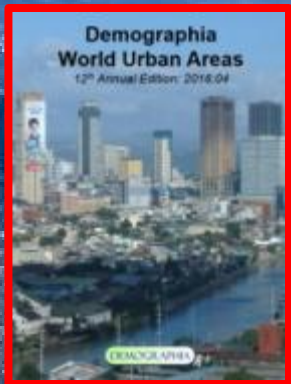


War on the Suburbs: California & Elsewhere: Implications for the GHTA

DEMOGRAPHIA

Institute for
New Suburbanism
Toronto
Wendell Cox
12 July 2017

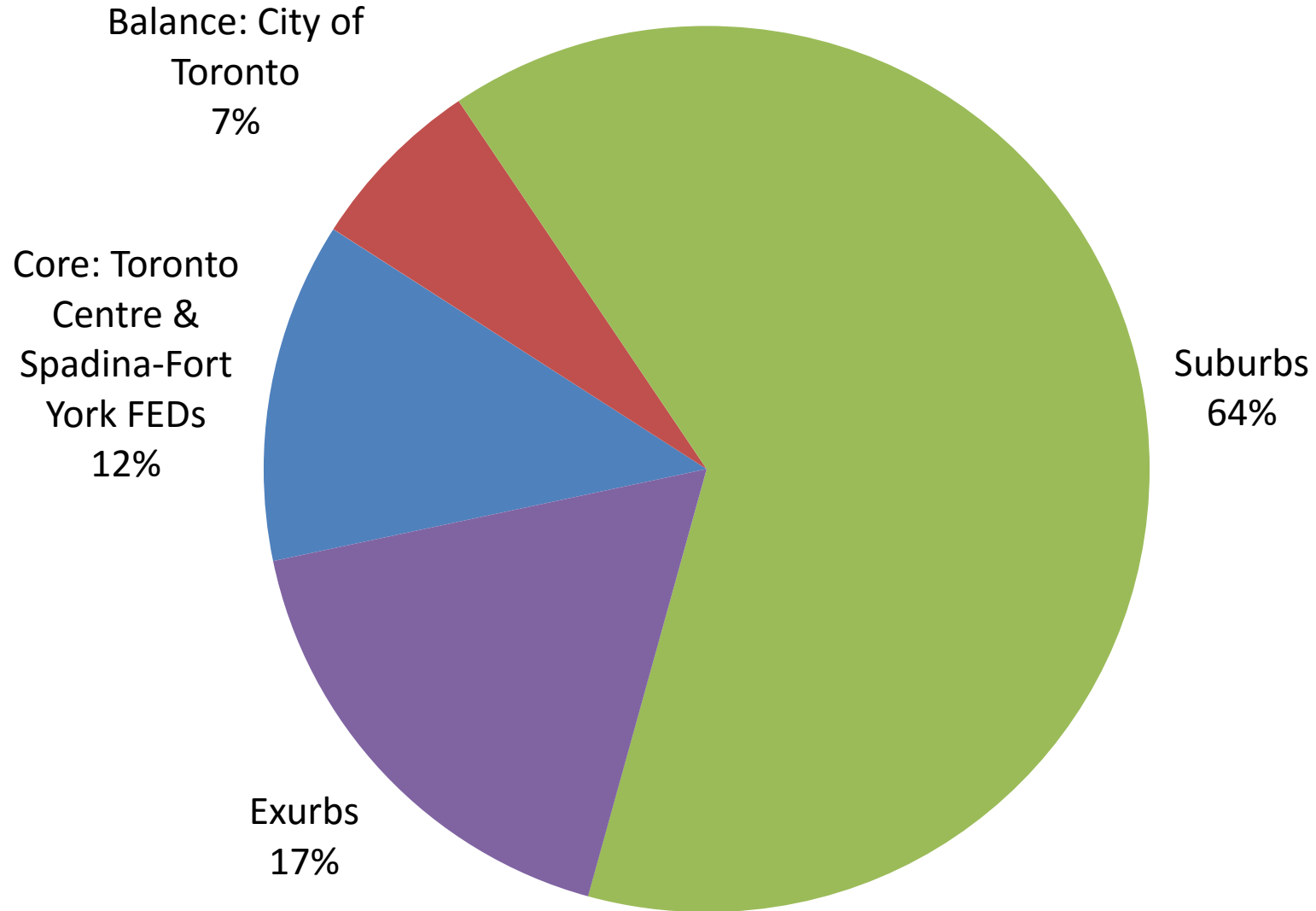


Los Angeles

PERSPECTIVE
Issue is not suburbs
*It is standard of living
and poverty*

Toronto Growth in Suburbs: 2011-2016

DOMINATED BY SUBURBS



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

Brisbane



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*

DEMOGRAPHIA

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

exploring solutions... www.PerformanceUrbanPlanning.org

Performance Urban Planning

MEDIAN MULTIPLE
Median house price
divided by
Median household income

Table 1

Housing Affordability Rating Categories

<i>Rating</i>	<i>Median Multiple</i>
Severely Unaffordable	5.1 & Over
Seriously Unaffordable	4.1 to 5.0
Moderately Unaffordable	3.1 to 4.0
Affordable	3.0 & Under

13th ANNUAL
9 Nations
92 Major Markets
406 Total Markets

Middle-Income Housing Affordability

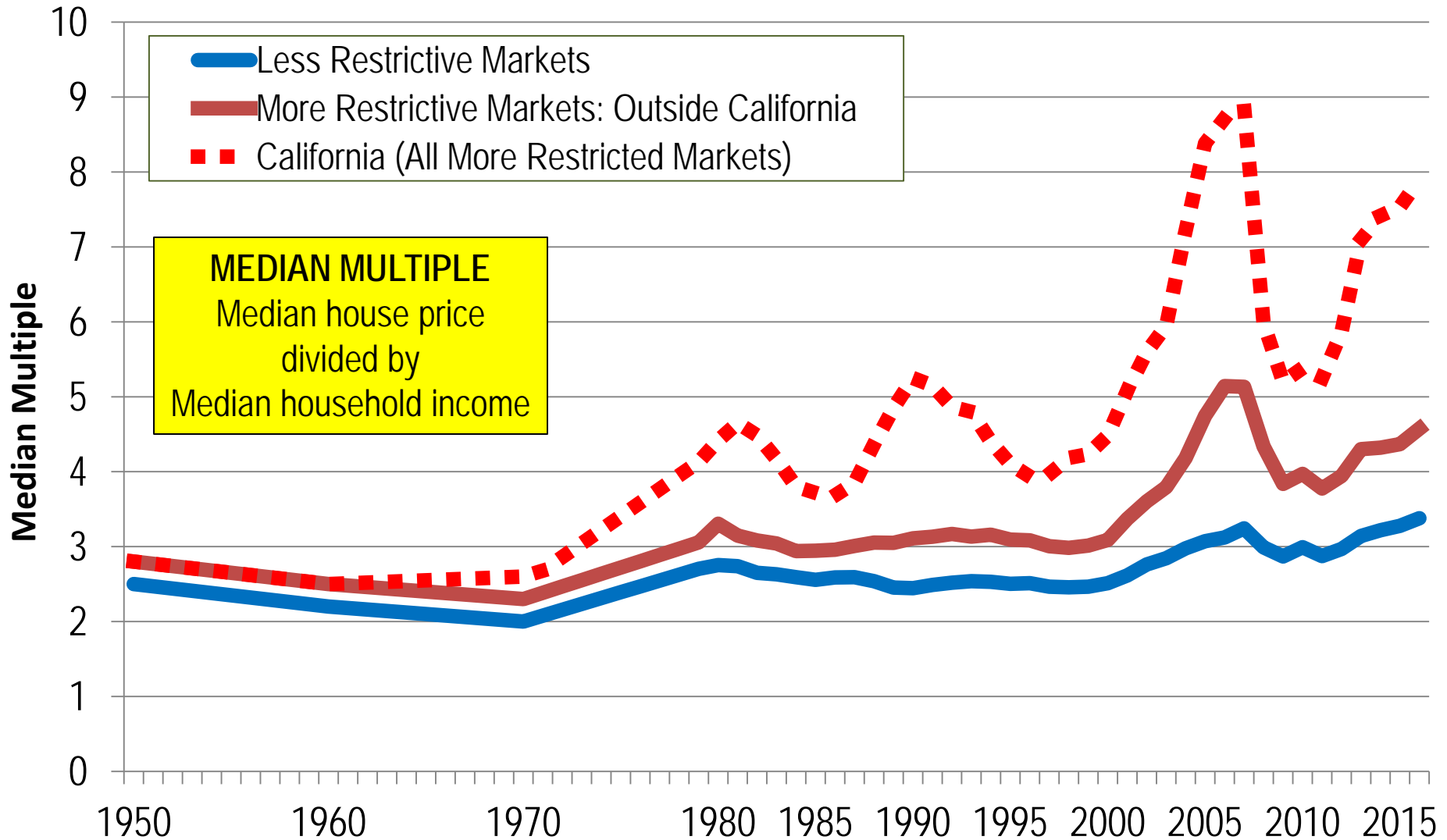
MINIMUM REQUIREMENTS

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

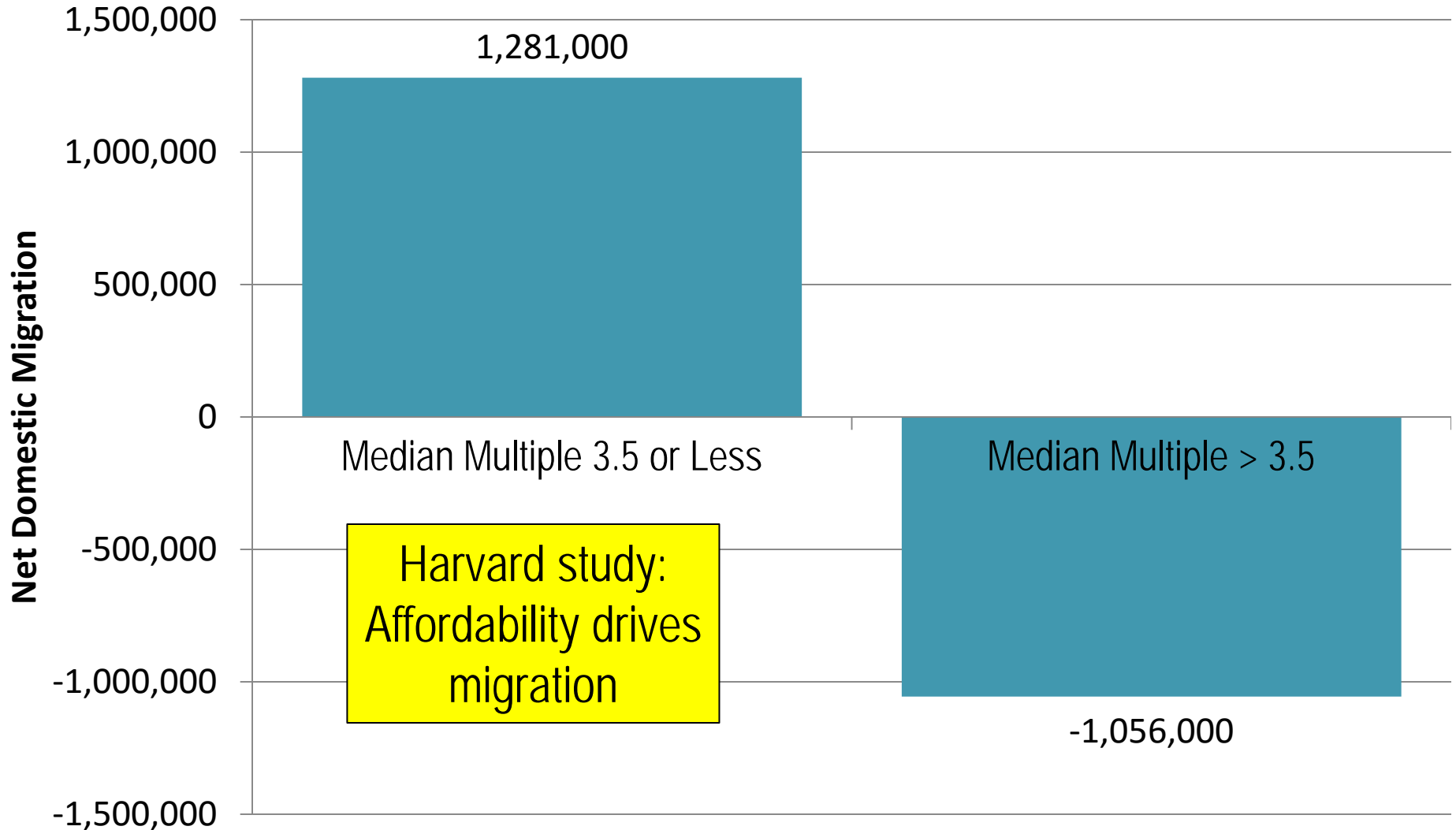
LIBERAL V. URBAN CONTAINMENT POLICY: 1950-2016



Derived from Census Bureau, Harvard University and Demographia.

US: People Move Away from High Prices

53 US MAJOR METROPOLITAN AREAS: 2010-2016



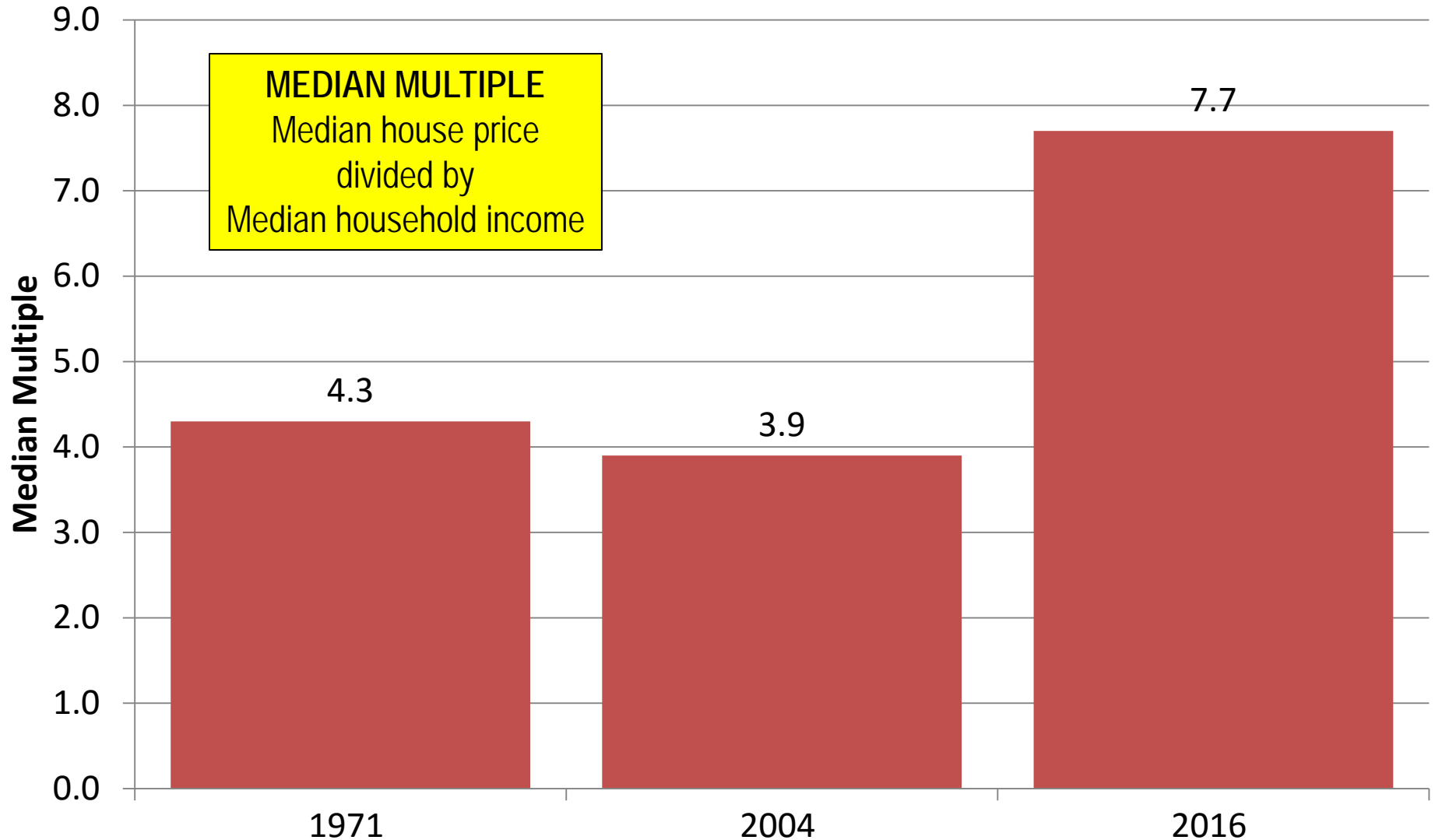
An aerial photograph of a suburban residential area. A multi-lane highway runs horizontally across the middle of the frame. To the left of the highway, there are several green, oval-shaped parks or sports fields. The surrounding area is densely packed with houses and apartment buildings. The sky is clear and blue.

Middle-Income Housing Affordability in the GHTA

Focus:
Toronto CMA

Unprecedented House Cost Increases

TORONTO CMA: 1970 – 2004 – 2016



Derived from Statistics Canada and Demographia

Middle-Income Housing Affordability

TORONTO CMA: 2004-2016

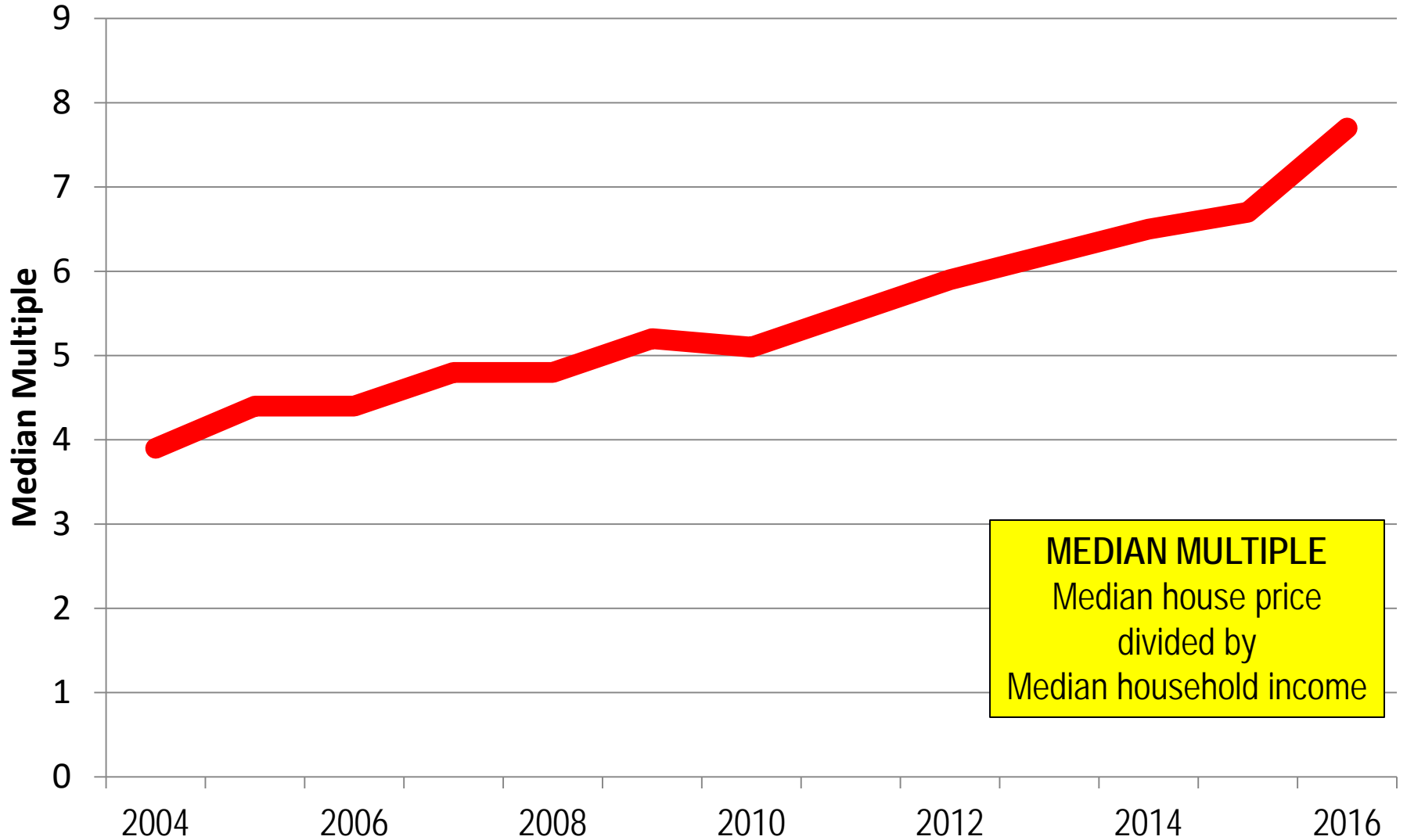
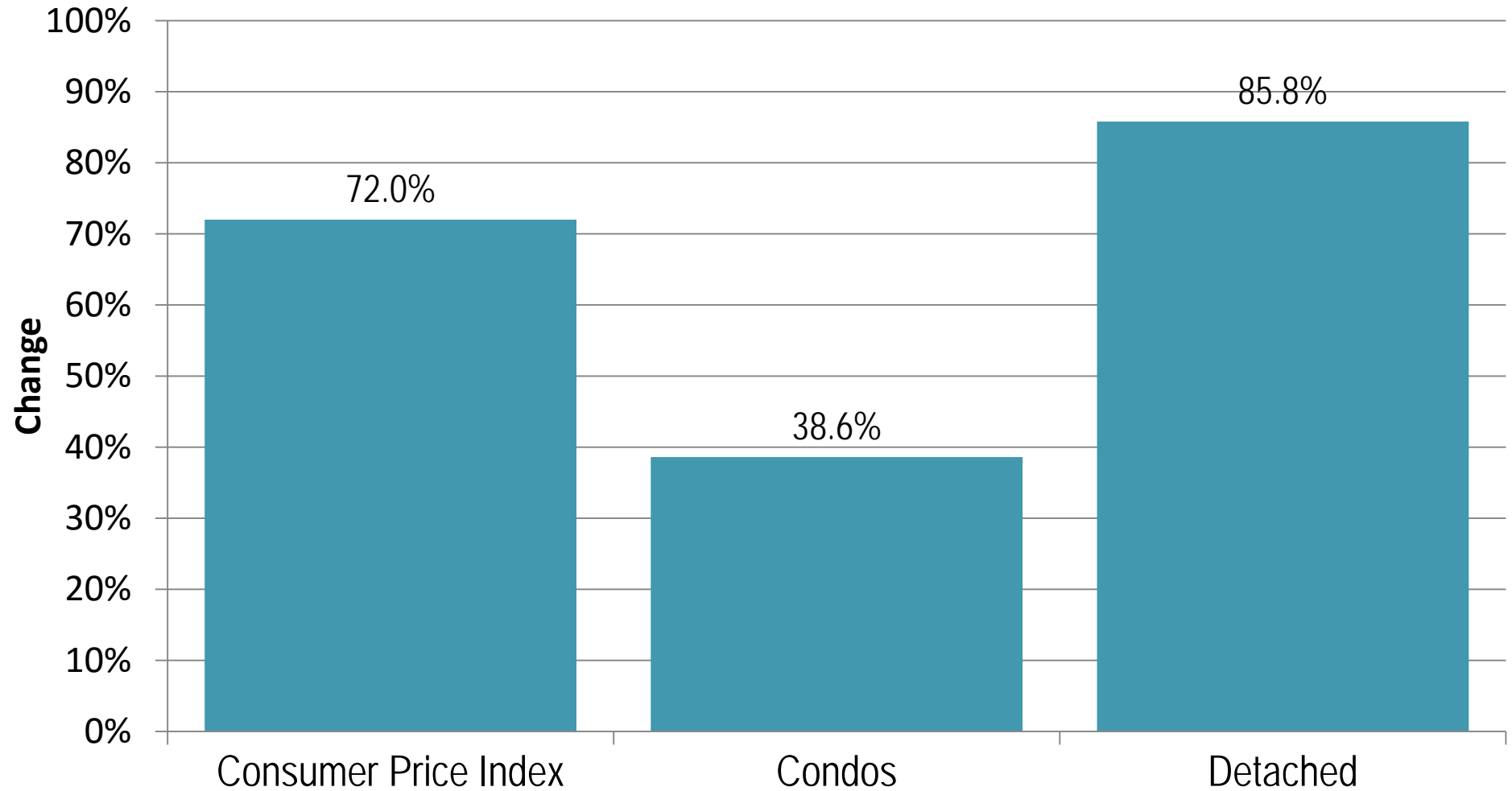


Figure 13

RBC: Share of Income Needed

2017 Q1: MEDIAN INCOME % FOR AVERAGE HOUSE




NEW | 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



Latest Business Headlines

-  Interest rates likely to increase today: How that could affect your loans July 12, 5:06 AM ET 3
- Oilpatch 'adrift' as prices drop and investors turn away July 12, 5:00 AM ET
- What to expect after an interest rate hike | Facebook Live July 11, 8:02 PM ET
- Manulife in settlement deal with OSC after clients wrongly paid excess fees July 11, 1:34 PM ET
- Takata adds 2.7 million vehicle to airbag inflator recall July 11, 2:10 PM ET

Must Watch

#1 Reason House Prices are Rising

ONTARIO'S "PLACES TO GROW" PROGRAM



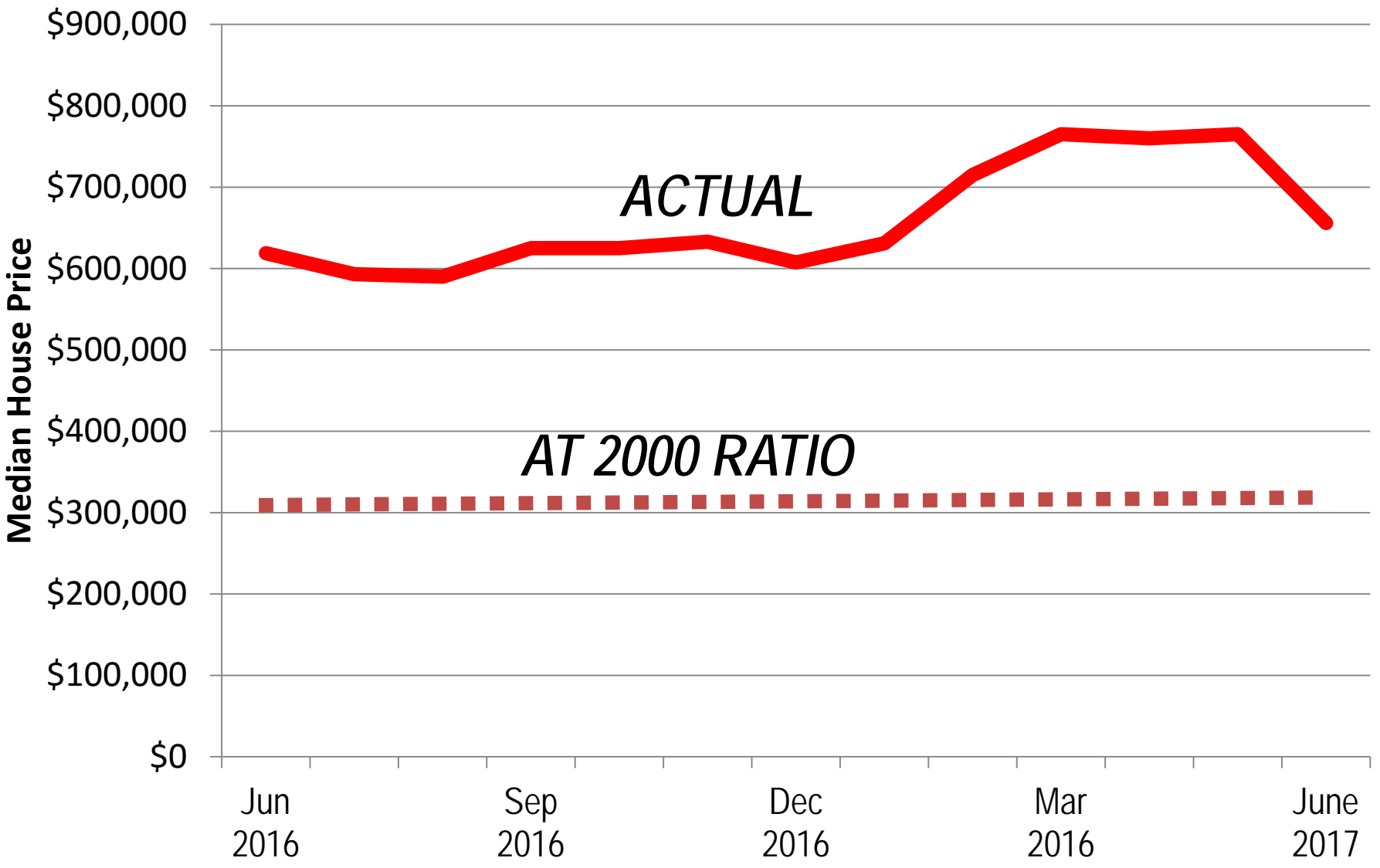
Land supply restrictions resulting from the plan called, Places to Grow, is "the number one reason GTA house prices are rising,"

"Affordability and Places to Grow cannot co-exist"

Benjamin Tal,
Deputy Chief Economist, CIBC World Markets, Inc.

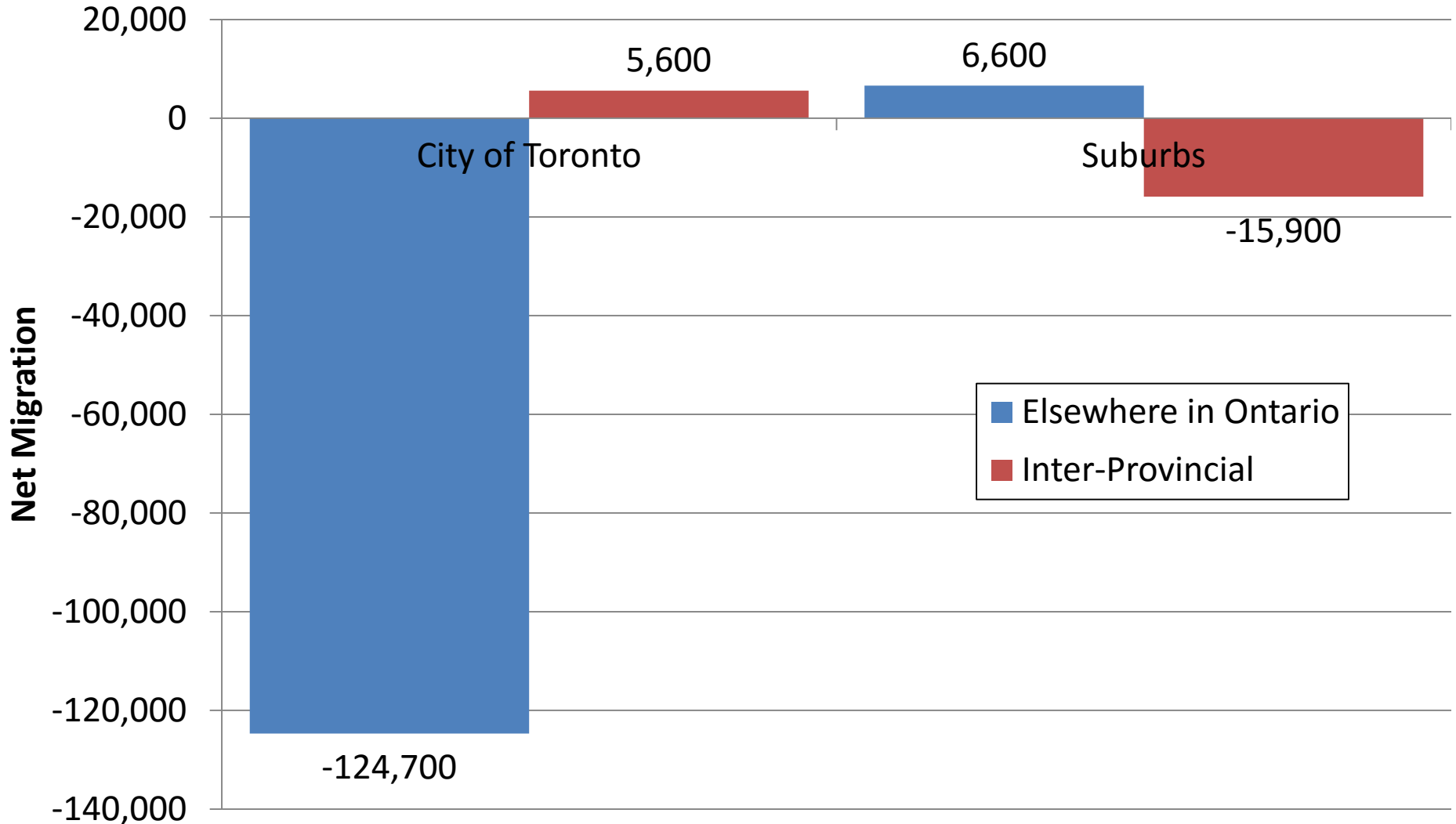
Recent Price Plateau Still Very High

TREB: TORONTO AREA



Toronto: Moving Away from High Prices

TORONTO CMA NET DOMESTIC MIGRATION: 2010-2016



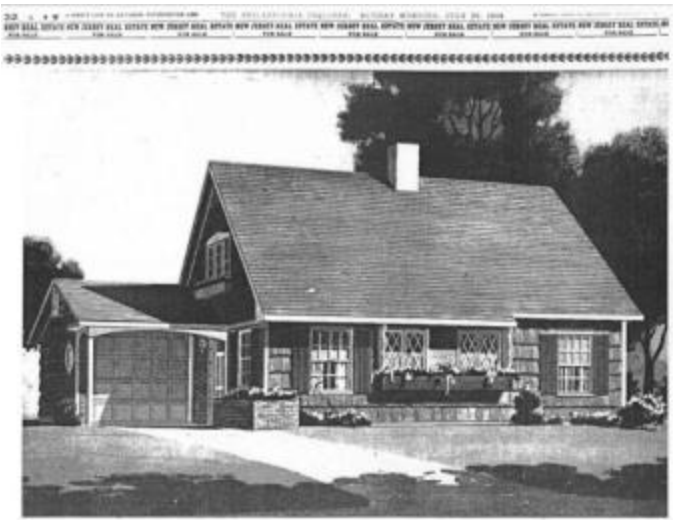
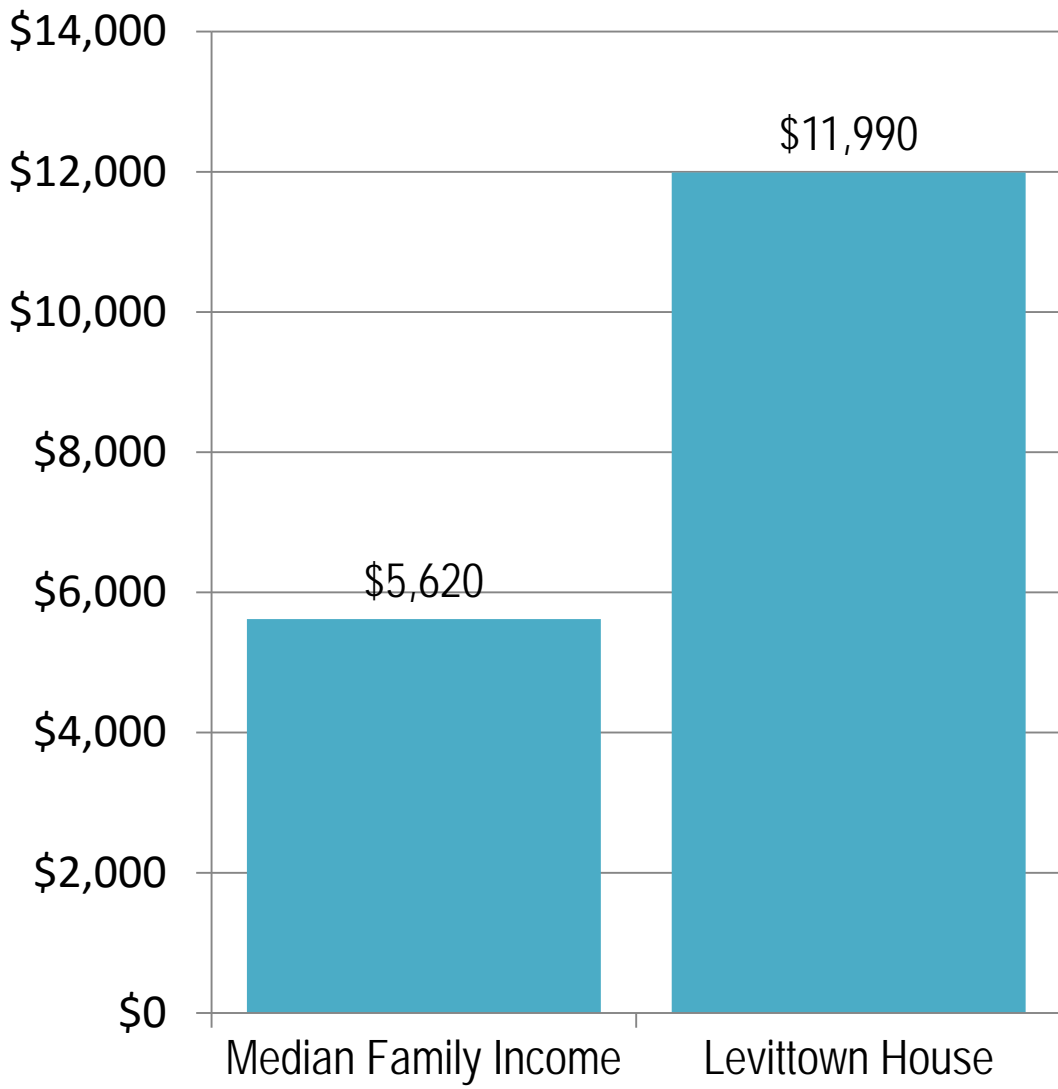
Urban Containment (Greenbelt) Policy

An aerial photograph of Hong Kong, showing a dense urban landscape with numerous high-rise apartment buildings and commercial structures. A prominent feature is a large, curved body of water (a bay) that separates different parts of the city. The surrounding hills are covered in greenery, illustrating the 'Greenbelt' concept mentioned in the text. The sky is clear and blue.

Hong Kong
Median Multiple:
18.1

The Legacy of Low Cost Suburban Housing

AFFLUENCE IN CANADA AND THE U.S.



Value, Beauty, and Charm
FOUR BEDROOMS, TWO BATHS
\$11,990; \$87 a Month!

- In Somerset Park at Levittown, New Jersey, we're building the pretty house pictured above. In the two generations that we've been creating suburban communities, never have we produced anything as attractive as this house.
- Downstairs there's a spacious living room, a turquoise kitchen, two bedrooms, a complete bathroom, a charming dining alcove, and an over-size garage.
- Upstairs there are two more bedrooms, another complete bathroom, and some really large closets.
- But honestly, folks, that's not the only part of the story. Anybody can build rooms. It's how those rooms are arranged, how they're decorated, what appliances and appointments they have, how the landscaping looks, what the community is like — it's all these things that really matter.
- Come on over and learn about our brand new schools, our swimming pools, our smart shopping center, our convenience to downtown Philadelphia (just an easy 30 minutes), our rapid transportation facilities.
- With everything, this house sells for \$11,990 plus a ten-dollar bill for all settlement charges! That's all; not a penny more! For that you get the whole house, the plot of 68 by 100 exquisitely landscaped, a General Electric refrigerator, range, and washer. Total cash required is \$400 — yes, just four hundred dollars — and carrying charges are \$87 a month!
- It's a bargain and everybody knows it. You'll need \$100 with your application, and occupancy is this fall or later if you wish.

Our Exhibit Building and six exhibit houses — priced from \$11,990 to \$14,400 — are open seven days a week until 5 P. M. Drive over and take a look. You're always welcome.

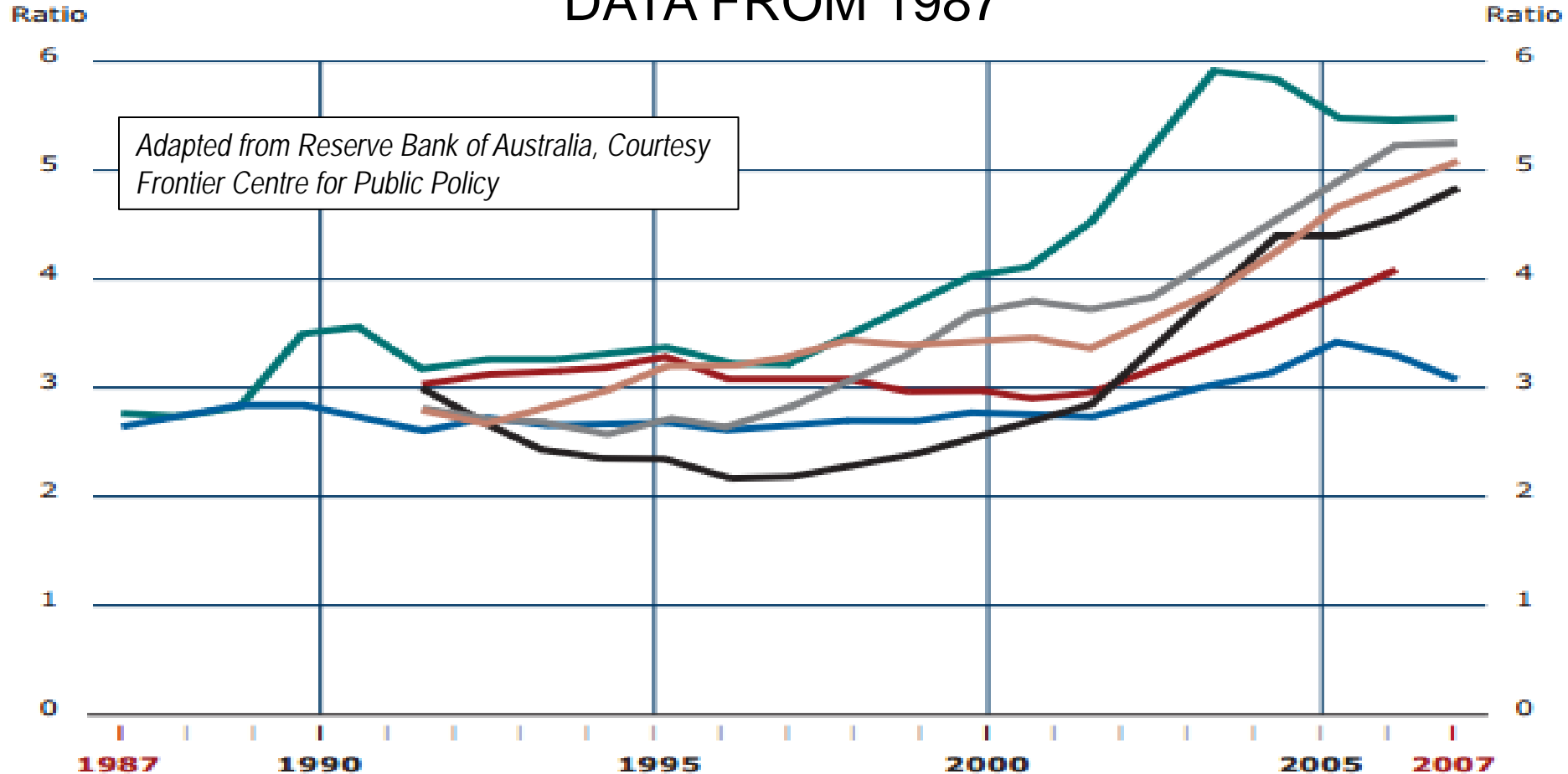
Levitt and Sons
 INCORPORATED
 Route 100 - Levittown, New Jersey / Phone (610) 663-1100

Derived from US Census Bureau, Levittown ad

THE LEVITTOWN, NEW JERSEY
 Price: \$11,990. Includes: Kitchen, Bath, Living Room, Dining Room, two Bedrooms, two full Baths, central air conditioning, carpeting, and more. Total cash required is \$400. Monthly payments are \$87.00. Levitt and Sons is a subsidiary of Levitt Industries, Inc. Levitt Industries is a public company listed on the New York Stock Exchange under the symbol LEV. Levitt Industries is a subsidiary of Levitt Industries, Inc. Levitt Industries is a public company listed on the New York Stock Exchange under the symbol LEV. Levitt Industries is a subsidiary of Levitt Industries, Inc. Levitt Industries is a public company listed on the New York Stock Exchange under the symbol LEV.

Median Multiples Were 3.0 or Less

DATA FROM 1987



- Canada
- United Kingdom
- Australia
- U.S.
- Ireland
- New Zealand

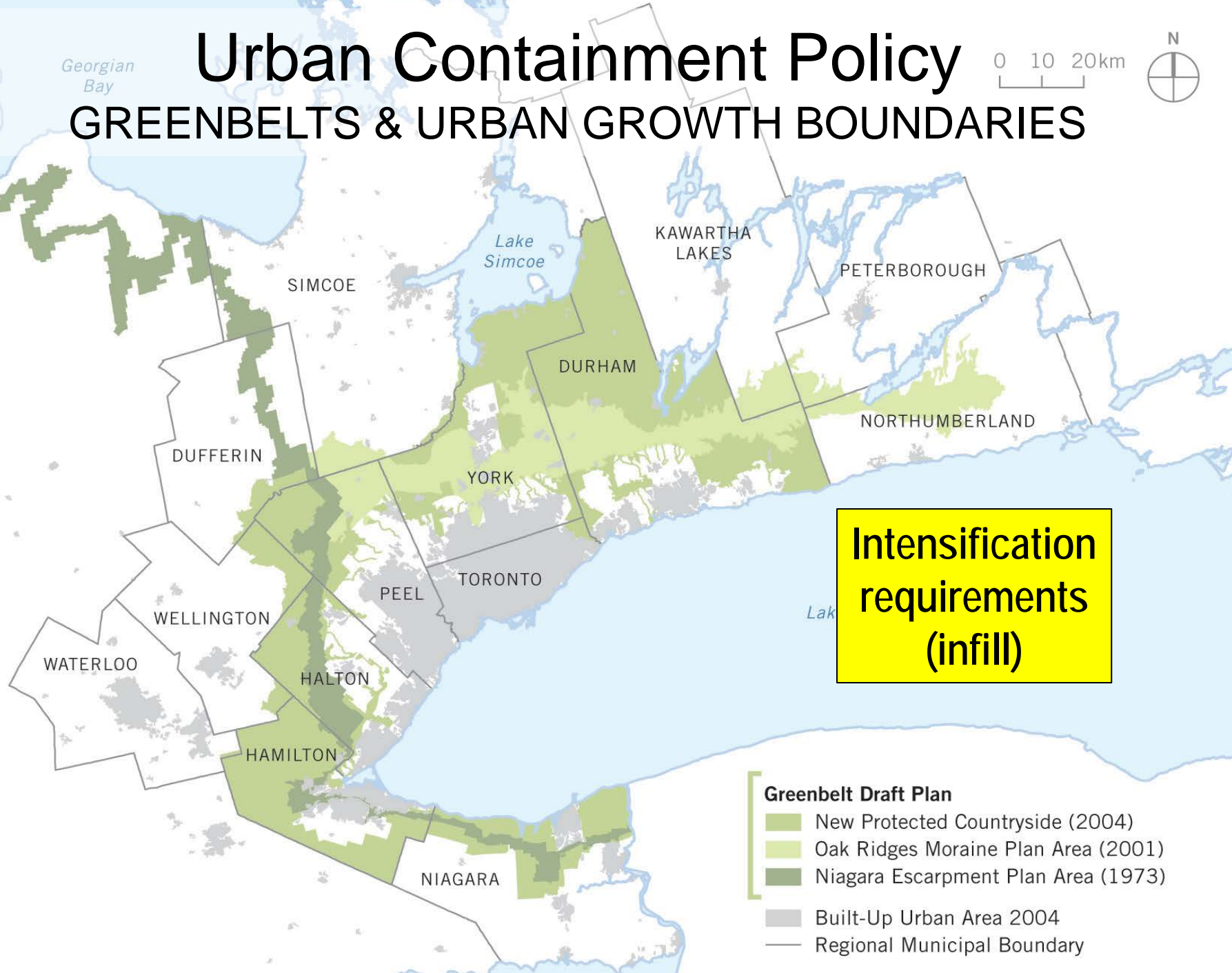
* Various combinations of median and mean measures of house prices and incomes uses depending on availability.

Sources: ABS; BIS; Bureau of Economic Analysis; Central Statistics Office Ireland; Communications and Local Government (UK); National Statistics website; OECD; REIA; Reserve Bank of New Zealand; Statistics Canada; Statistics New Zealand; Thomson Financial.

Urban Containment Policy

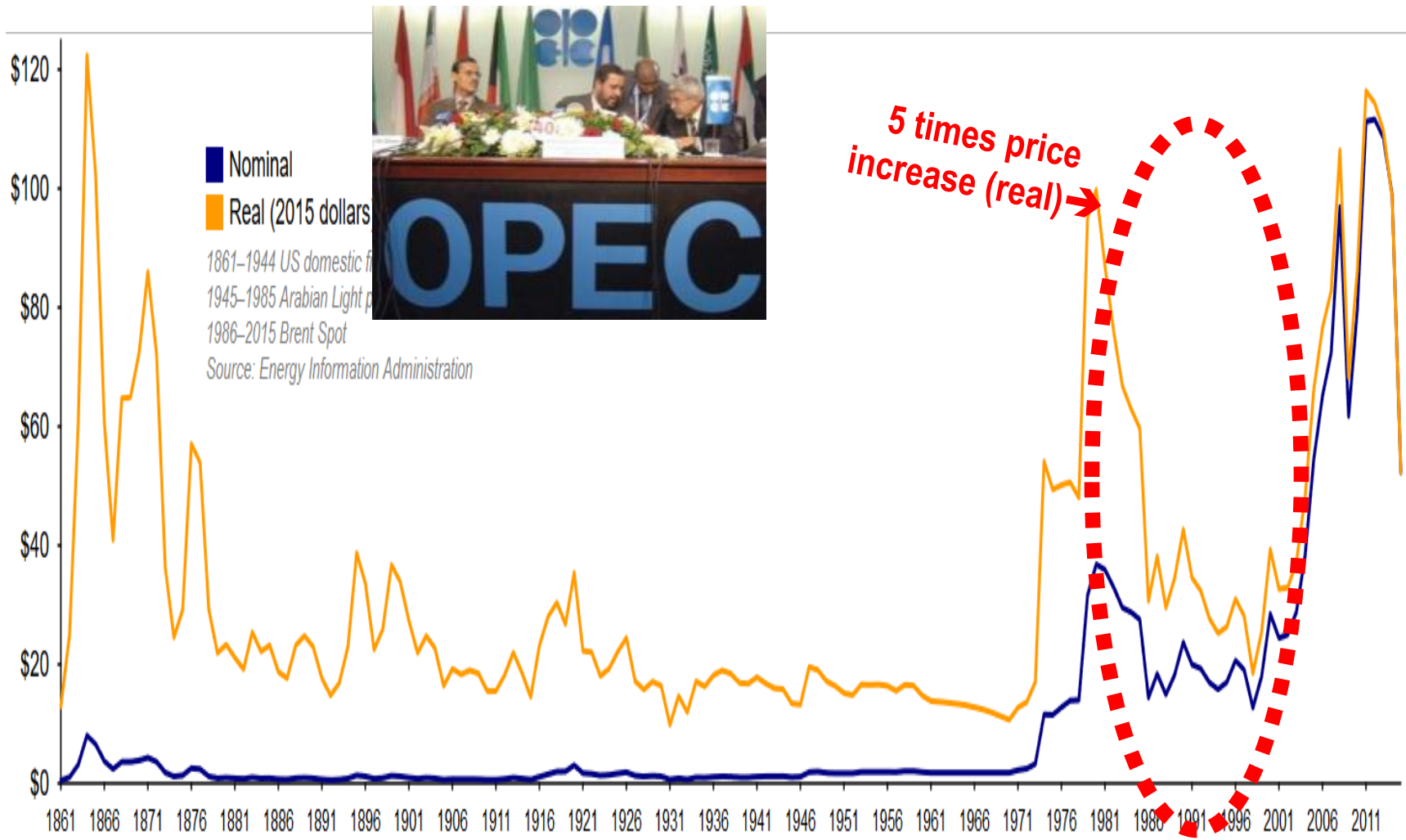
GREENBELTS & URBAN GROWTH BOUNDARIES

0 10 20km



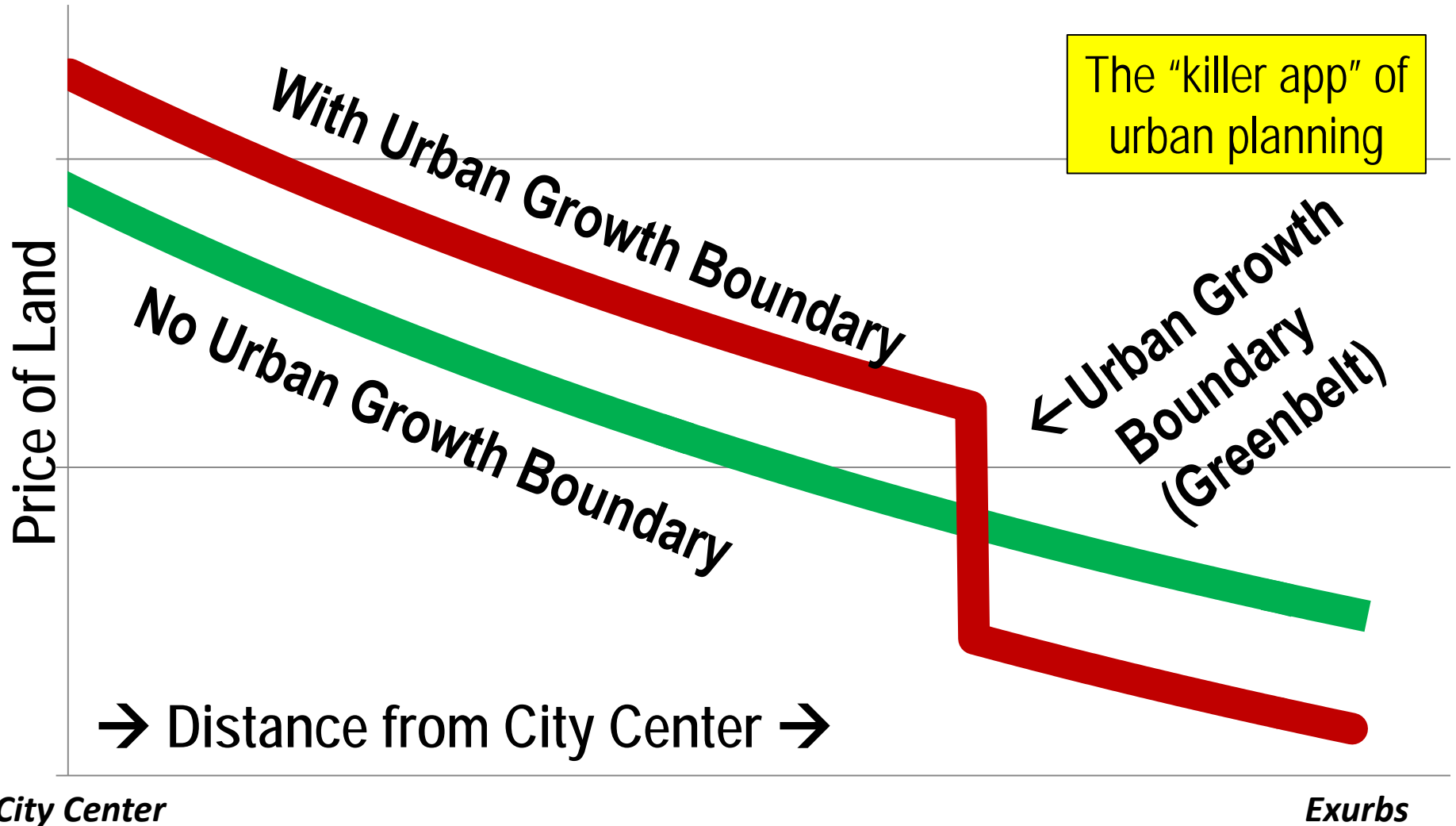
Supply Limits Result in Much Higher Prices

EMBARGO & IRAN SUPPLY LIMITATIONS 1973-1980



Urban Containment: Higher Land Prices

URBAN GROWTH BOUNDARY (& RELATED STRATEGIES)



Impact of Urban Growth Boundary DESTROYS COMPETITIVE MARKET FOR LAND

OUTSIDE UGB
\$16,000
Per Acre

INSIDE UGB
\$180,000
Per Acre

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

Portland 2010

© 2013 Google

Google

45°34'29.77" N 122°54'38.15" W elev 0 ft

Eye alt

Huge Spike in House Prices: Canada

CANADA: MAJOR HOUSING MARKETS: 1970-2016

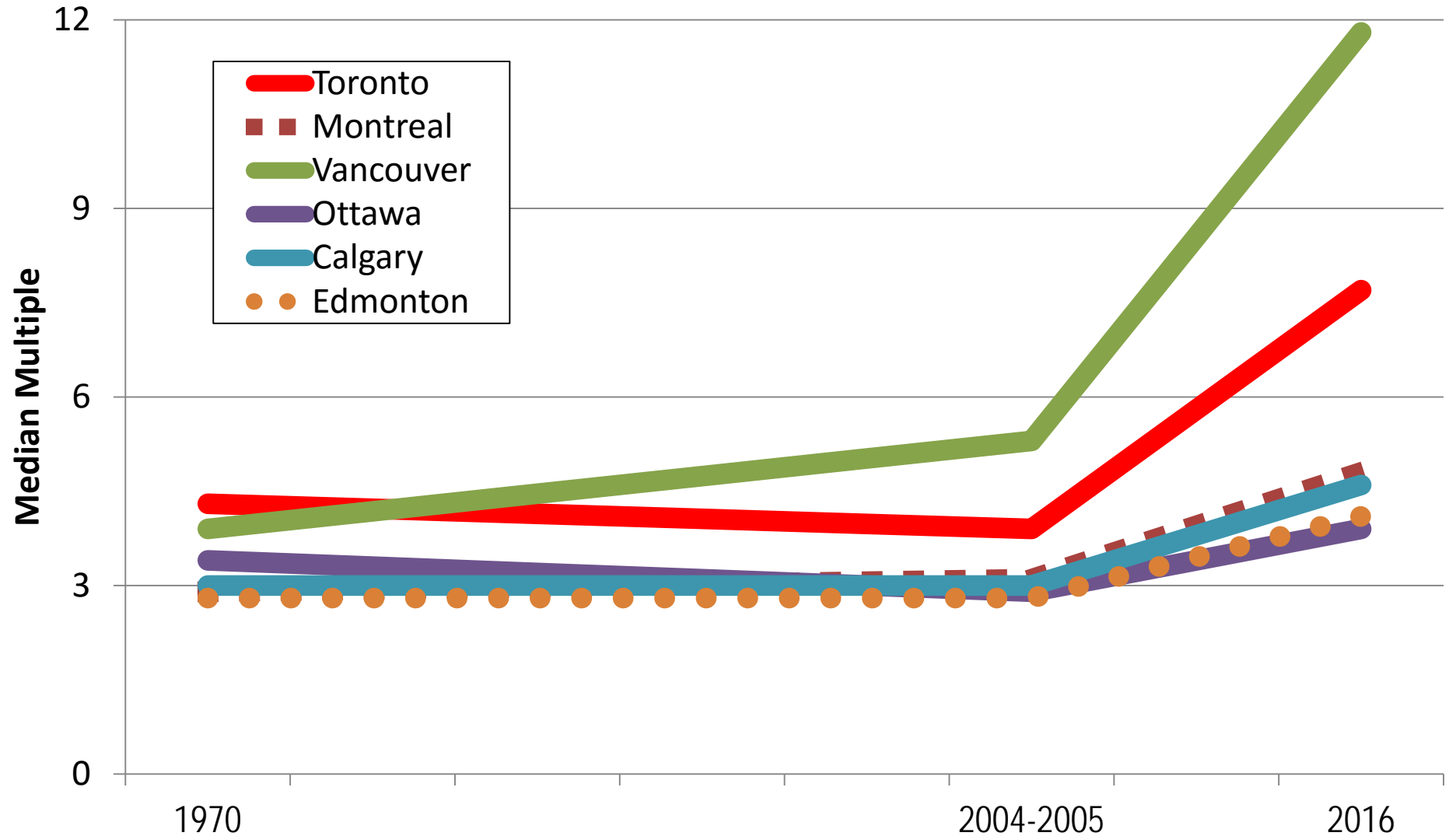


Figure 26

Huge Price Increases: Australia

MAJOR MARKETS: 1981-2016

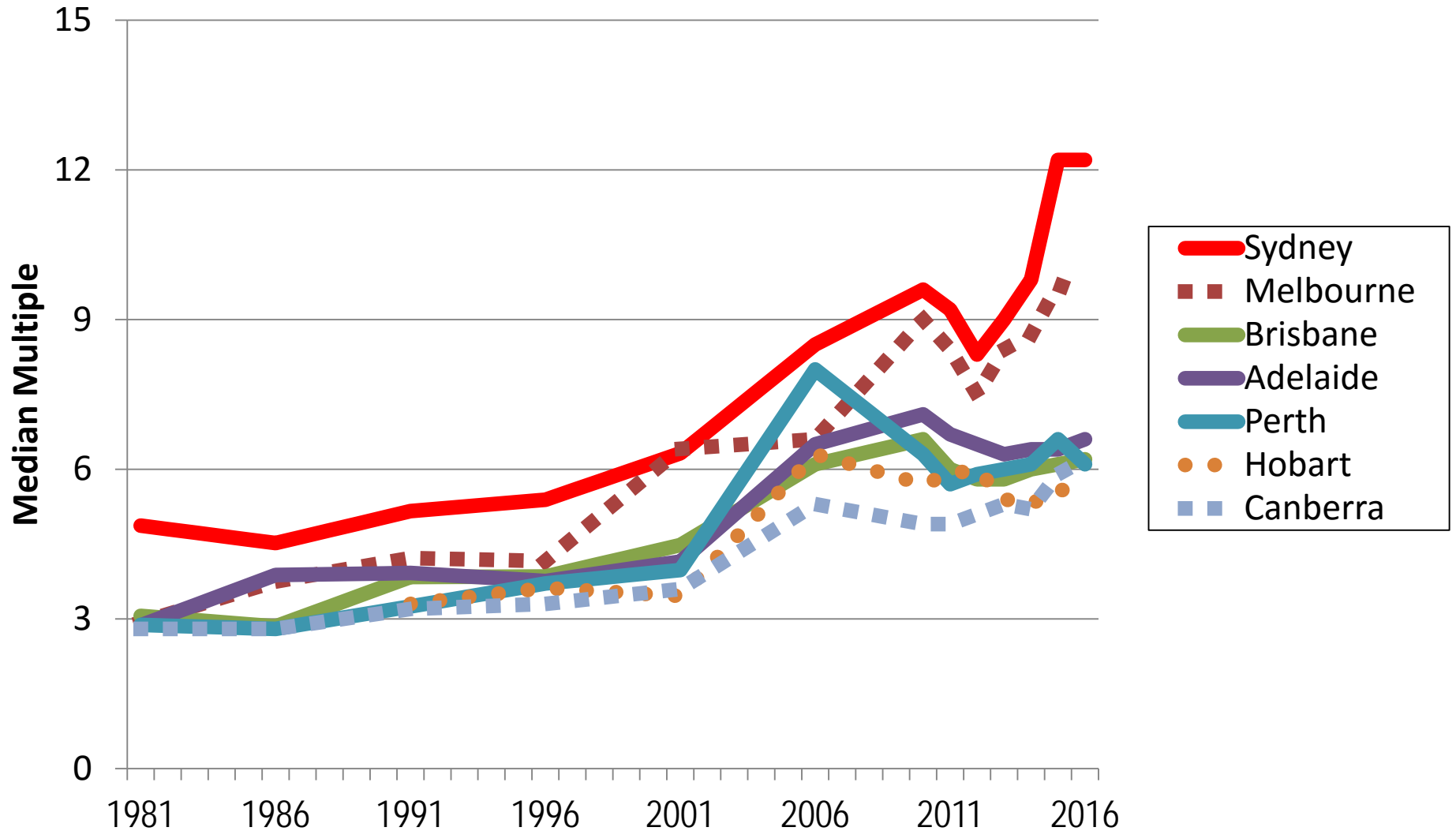
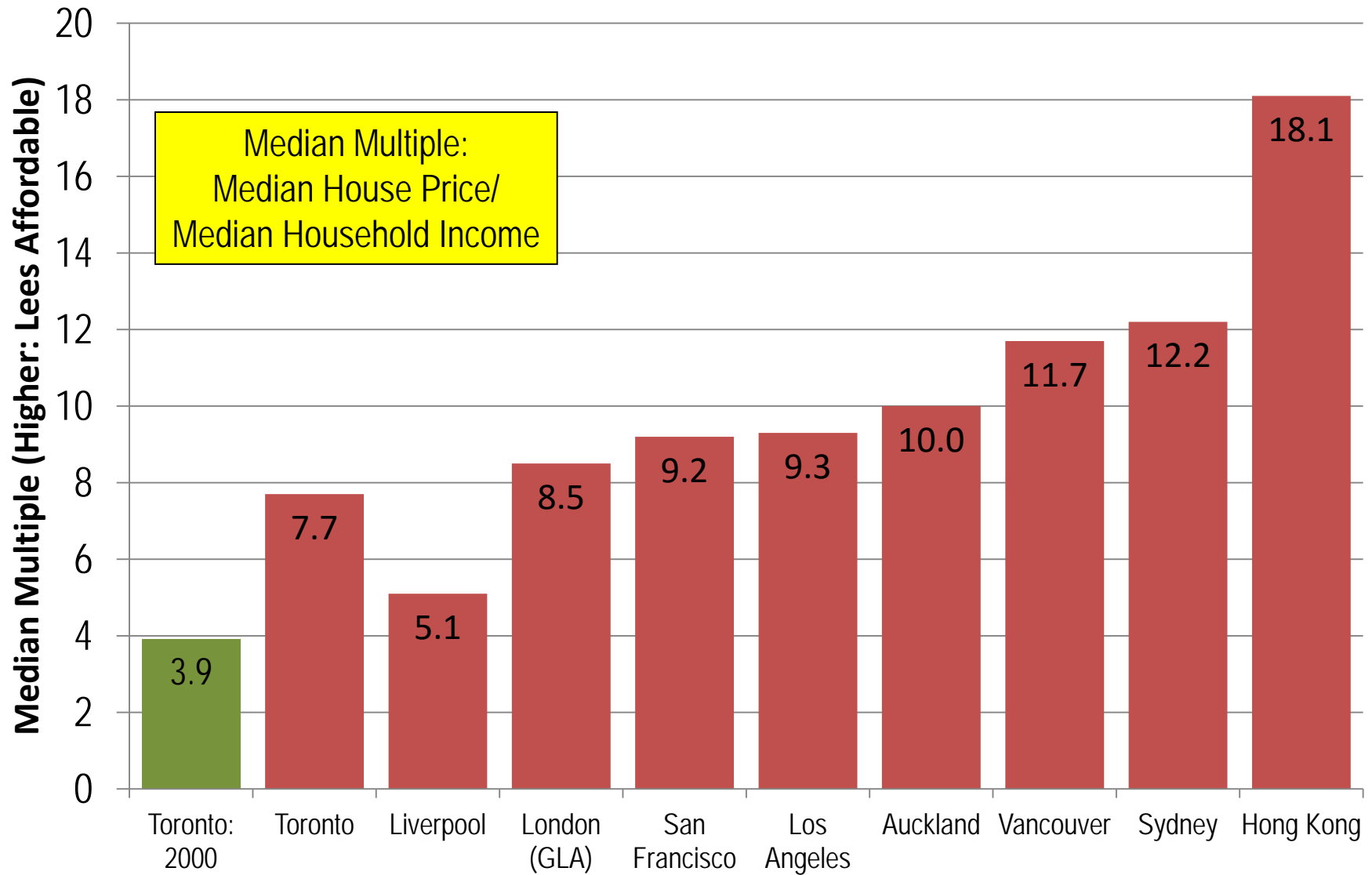


Figure 27

Housing Affordability Examples: 2016

URBAN CONTAINMENT METROPOLITAN AREAS



Housing Affordability's Killer App

GREENBELT (URBAN GROWTH BOUNDARY)



ABOUT US

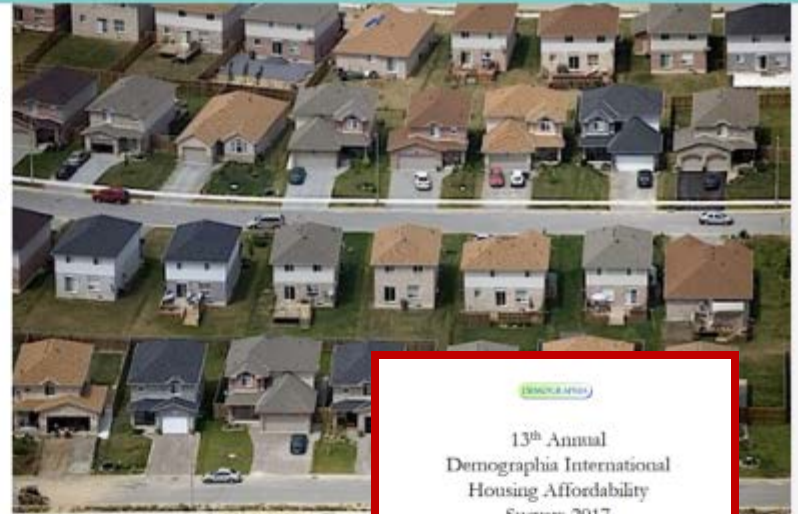
COMMENTARY

RESEARCH ∨

PUBLICATIONS

PEOPLE

The Greenbelt: Toronto's Housing Affordability "Killer App"



Commentary, Housing Affordability, Wendell Cox / June 22, 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

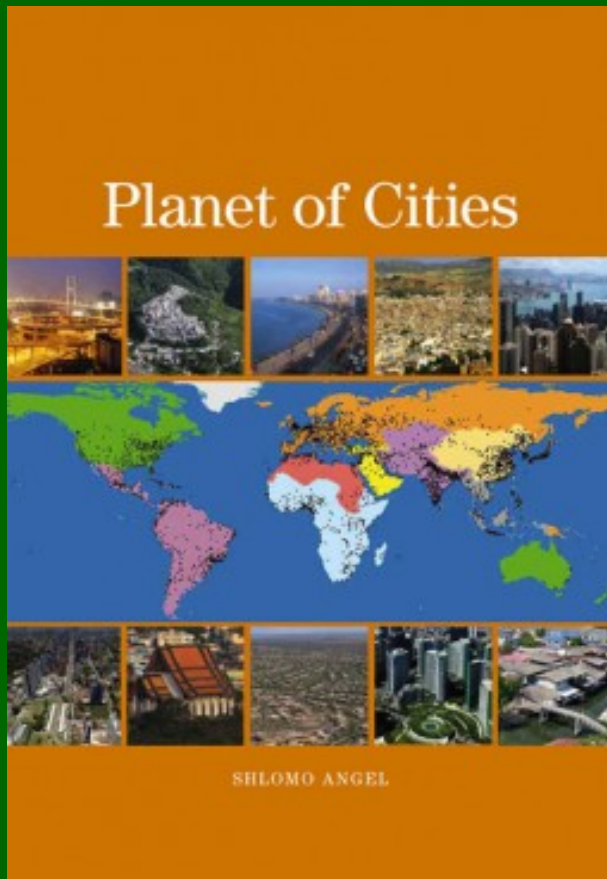


There's no fundamental story that we could tell to justify that kind of inflation rate in housing prices ... Demand is being driven more by speculative demand, or investor demand, as opposed to just folks that are buying a house

Stephen S. Poloz, Governor,
Bank of Canada

Speculation Caused by Urban Containment

SUFFICIENT LAND SUPPLY NEEDED TO AVOID

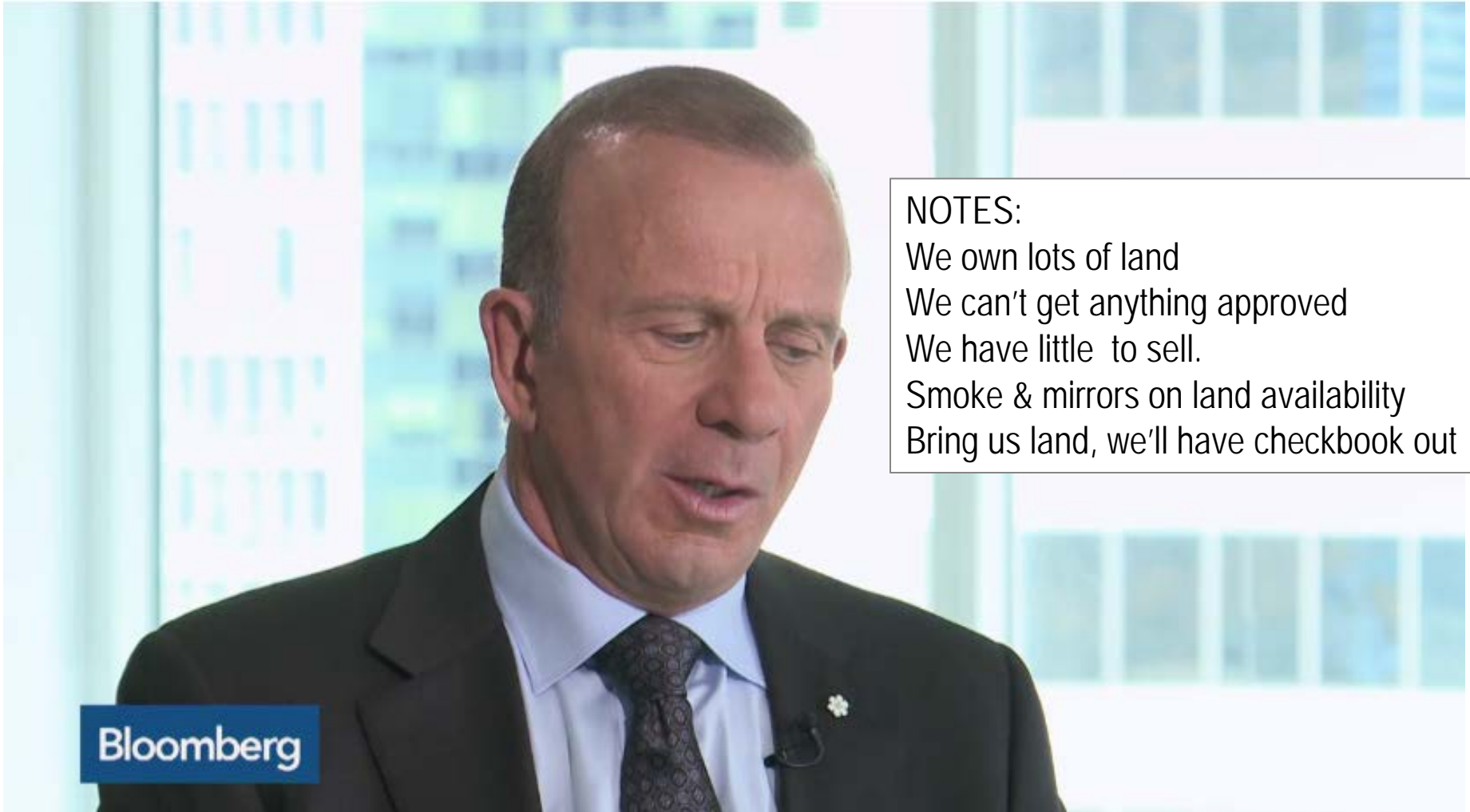


Speculation leading to high land prices on the urban fringe can only be avoided if limits on urban expansion are generous enough and credible enough to ensure that land will be in plentiful supply for years to come, and that hoarding it will not be profitable in the long run

Shlomo Angel,
New York University

Not Enough Land Supply Allowed

INTERVIEW WITH PETER GILGIN, CEO, MATTAMY HOMES



NOTES:

We own lots of land

We can't get anything approved

We have little to sell.

Smoke & mirrors on land availability

Bring us land, we'll have checkbook out

TO GOVERNMENT:

Consider what you are doing to a whole generation of people by basically turning off the taps.

Adding to the Problem

NOT ALLOWING HOUSING PEOPLE WANT



Paul Cheshire
London School of Economics

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.”



Countering Myths about Rising Ground-Related Housing Prices in the GTA: New Supply Really Matters

Policy Report

Report prepared by:

Dr. Frank Clayton
Senior Research Fellow, Centre for Urban Research and Land Development
Ryerson University

and

Professor David Amborski
Director, Centre for Urban Research and Land Development
Ryerson University

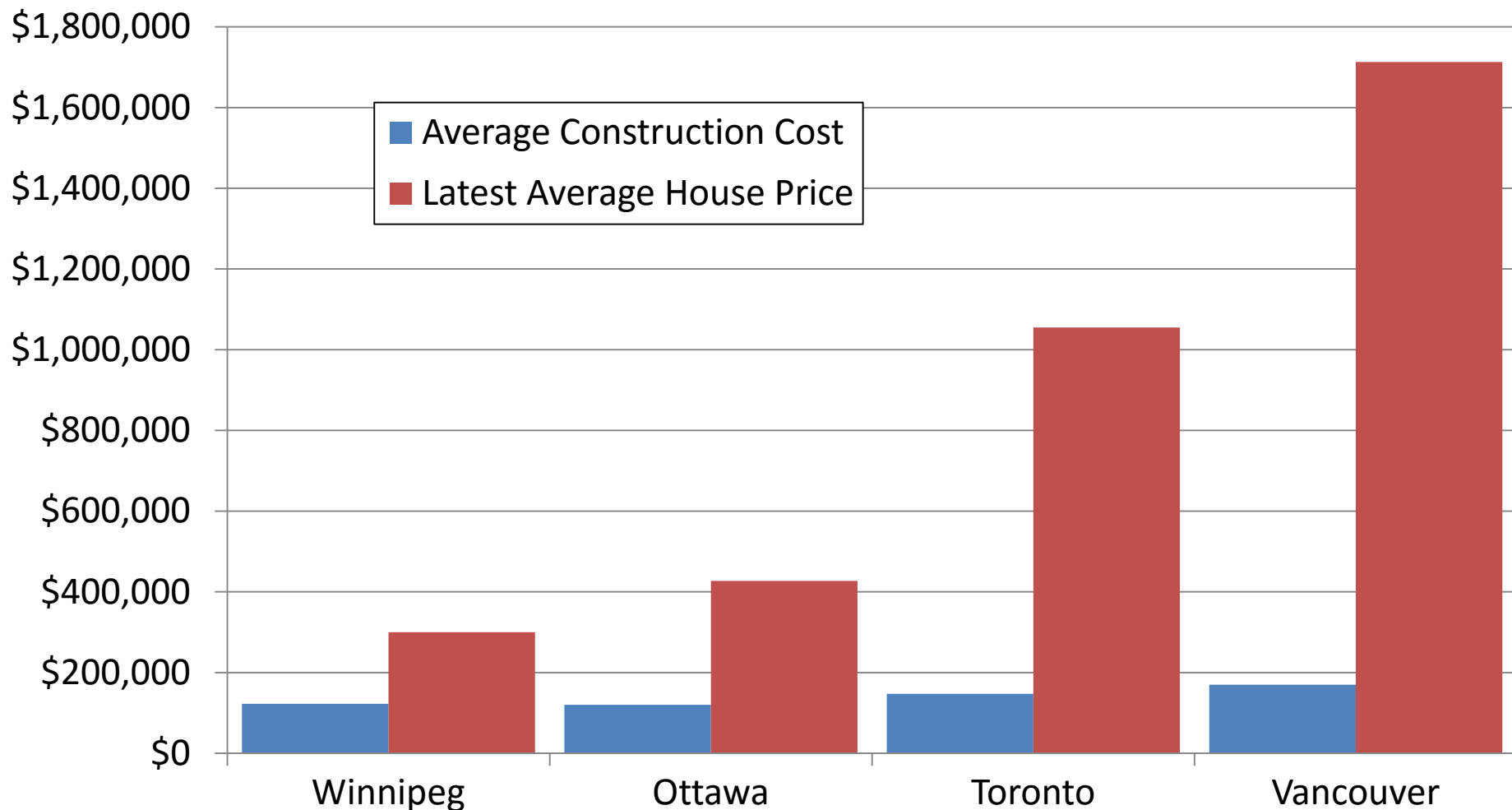
April 25, 2017

HOUSING PREFERENCE ISSUE IGNORED

"... 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

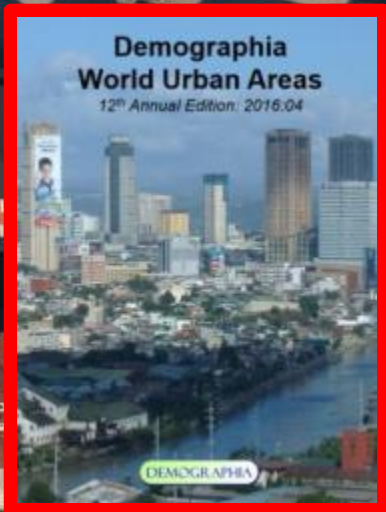
Introduction to

4th Annual Demographia International Housing Affordability Survey



Demographia International Housing Affordability Survey

Protecting Land or People: A Question of Values



VIEW OF MARKHAM, FROM
https://upload.wikimedia.org/wikipedia/commons/8/8a/Markham-suburbs_aerial-edit2.jpg

Densest World City: Dhaka, Bangladesh

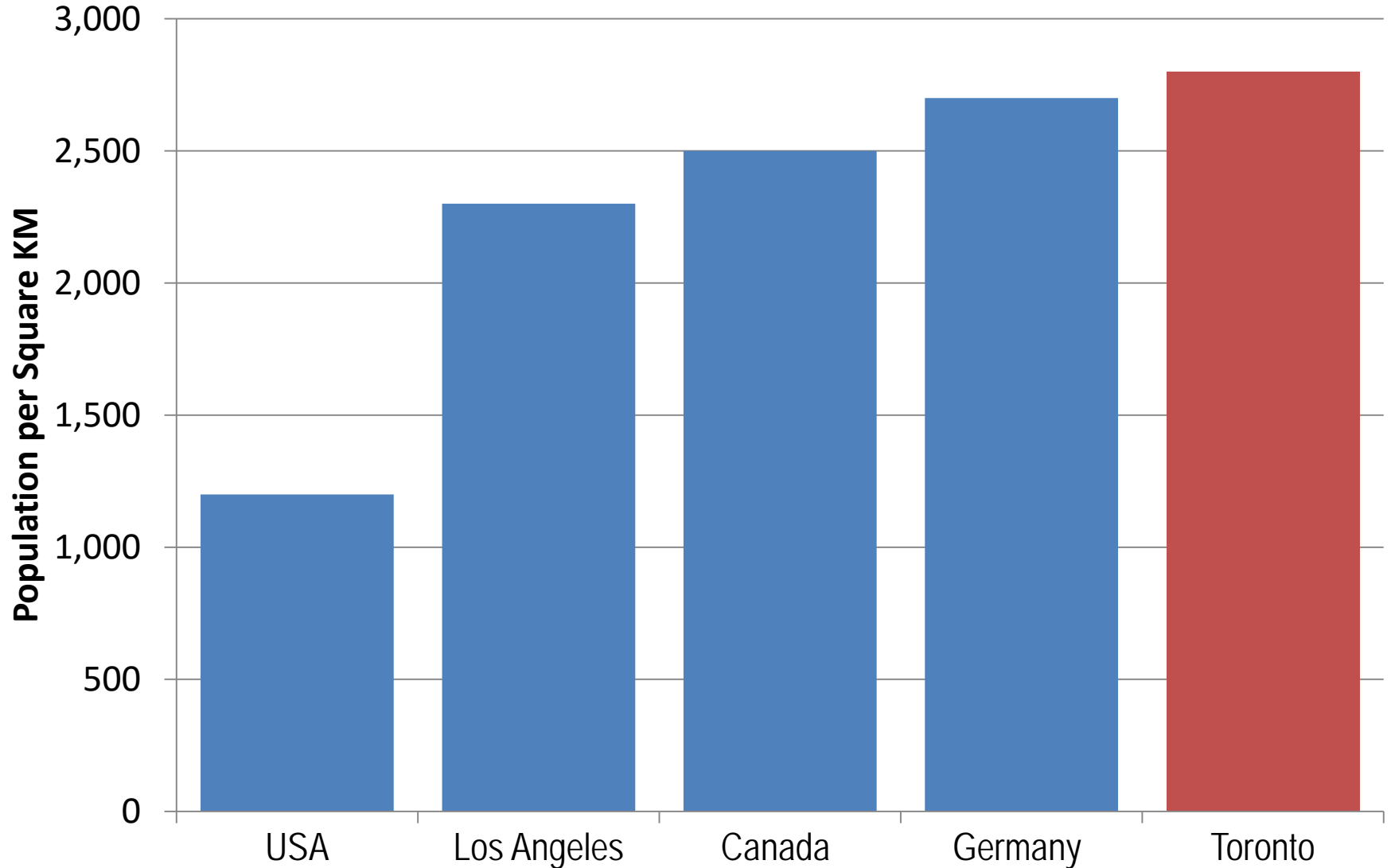
REFERRED TO AS SPRAWLING

15x as dense
As Toronto
Population
Centre



Population Centre (Urban) Densities: 2017

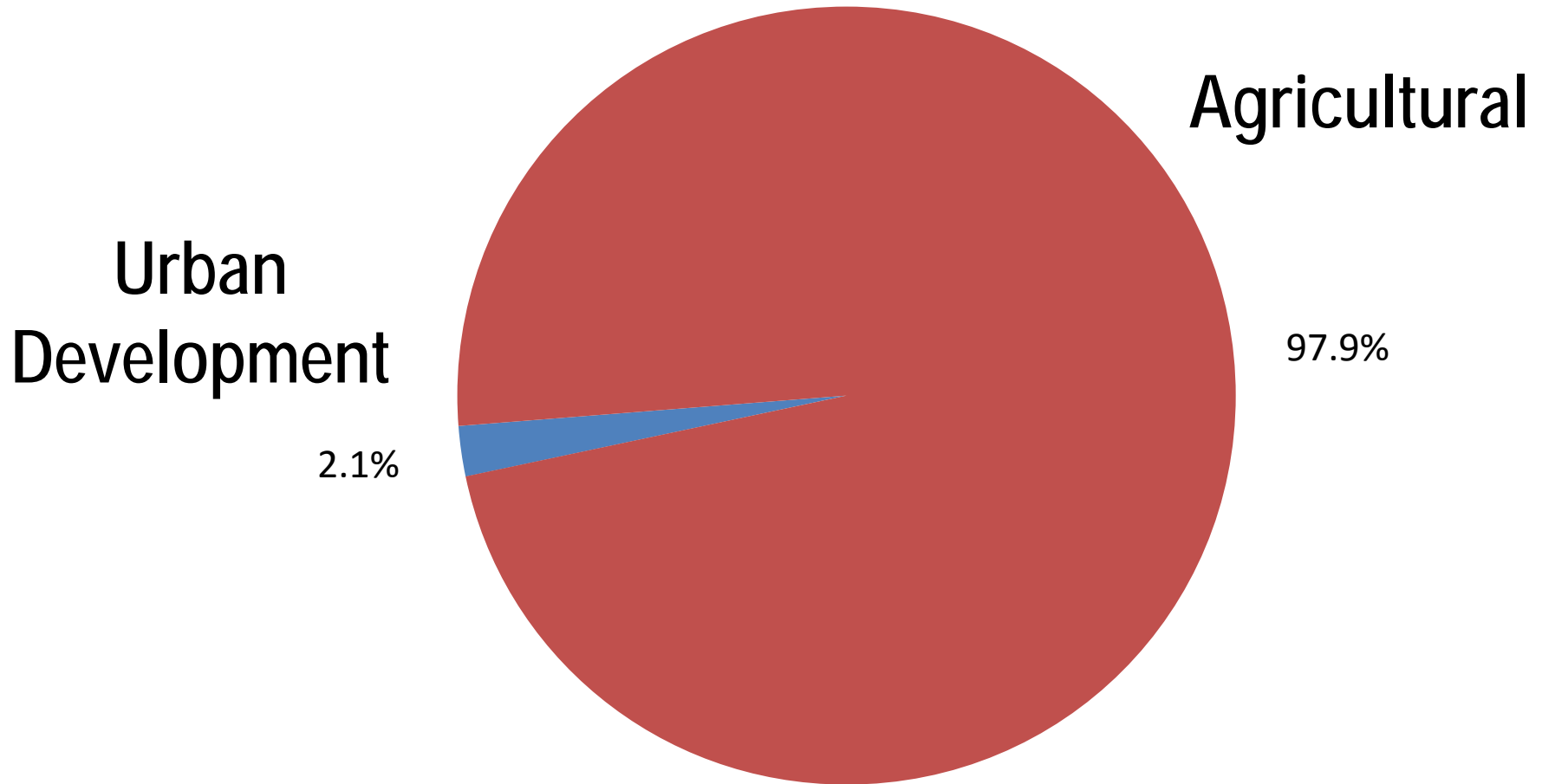
SELECTED WORLD AREAS OVER 500,000



Source: *Demographia World Urban Areas, 2017.*

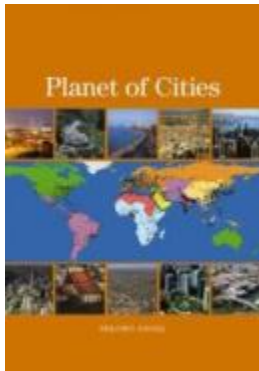
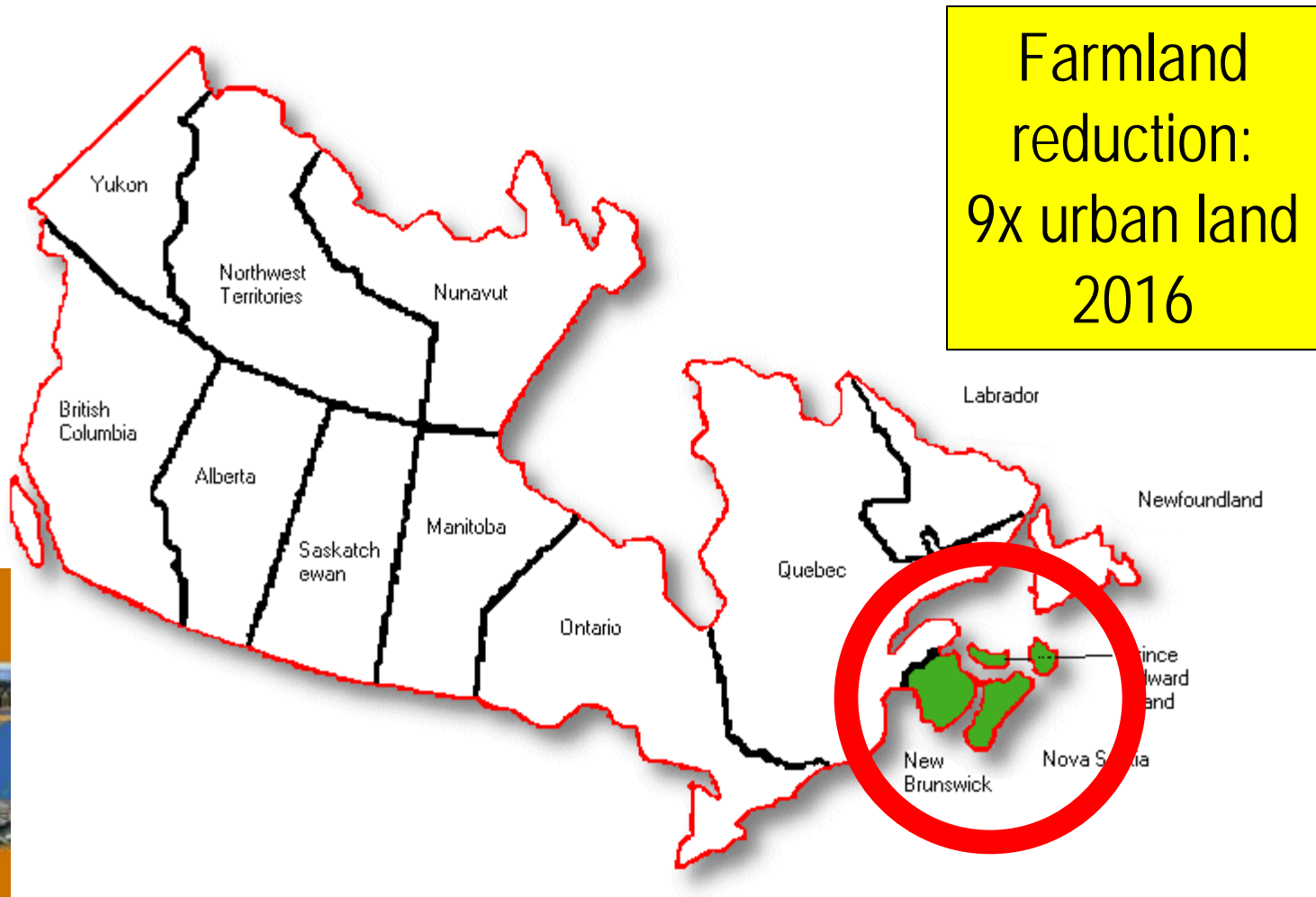
Extent of Urbanization: Canada

2016 CENSUS & PEAK AGRICULTURAL LAND



Agricultural Land Taken Out of Production

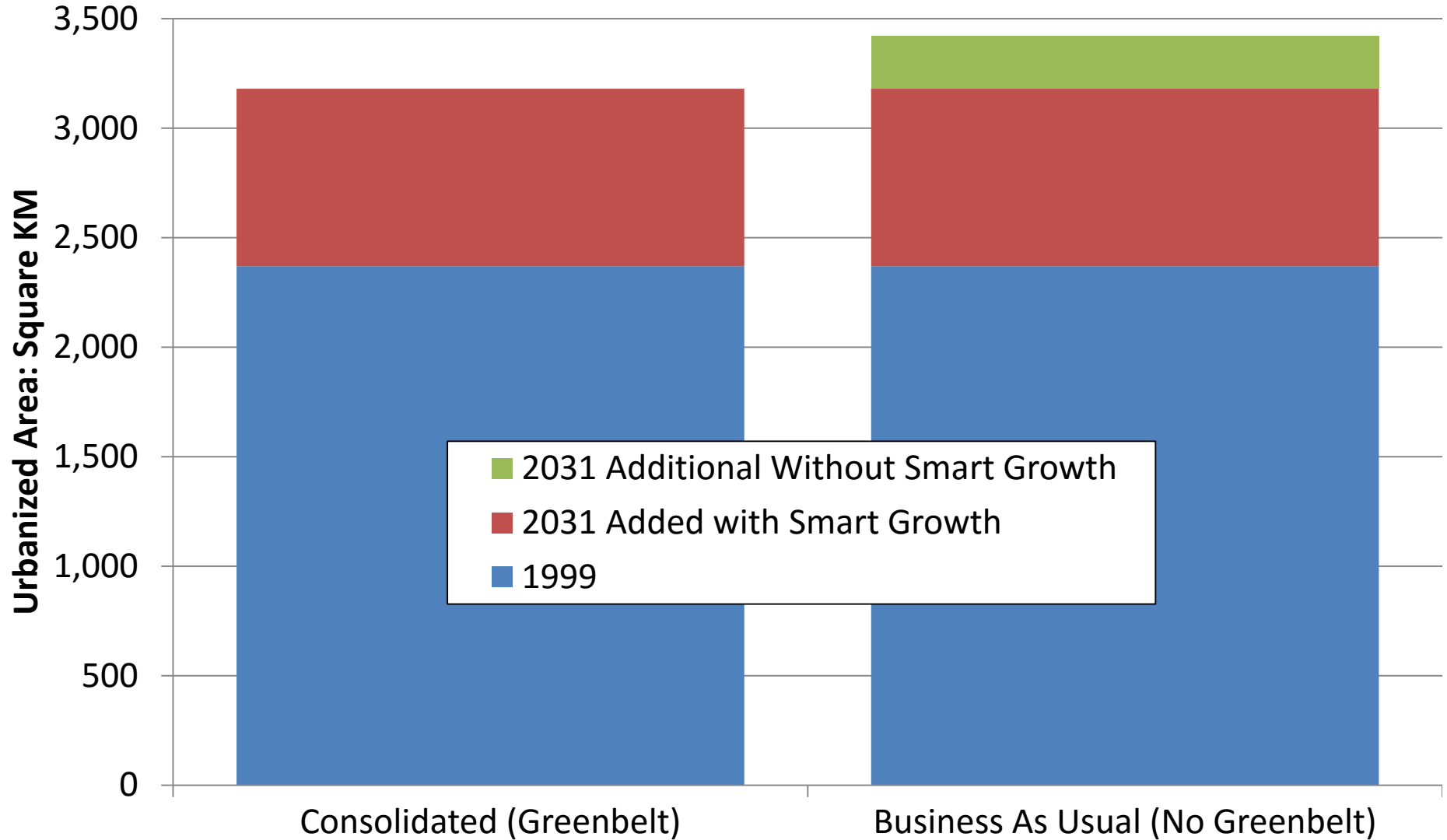
FROM PEAK TO 2016: EQUAL TO MARITIMES LAND AREA



<http://diymaps.net/userimages/569308.gif>

Greenbelt & No Greenbelt Compared

GREATER GOLDEN HORSESHOE



Derived from Neptis 2003.

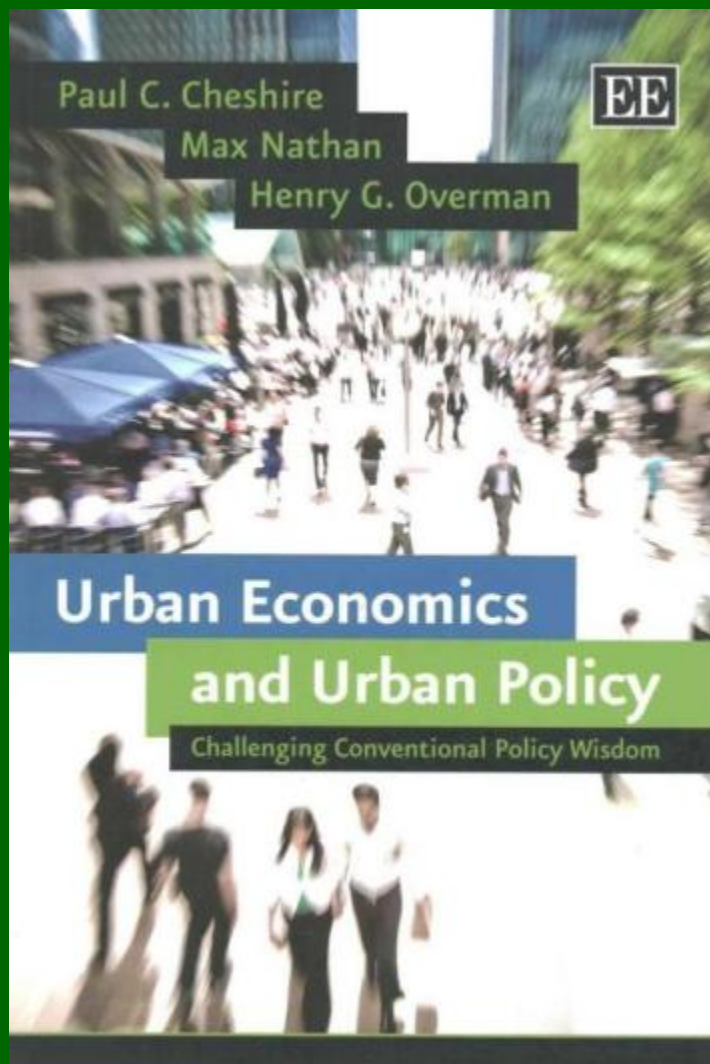
PLACES APART

"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 world is becoming ever more suburban, and the better for it

Cheshire, Nathan & Overman

URBAN ECONOMICS AND URBAN POLICY

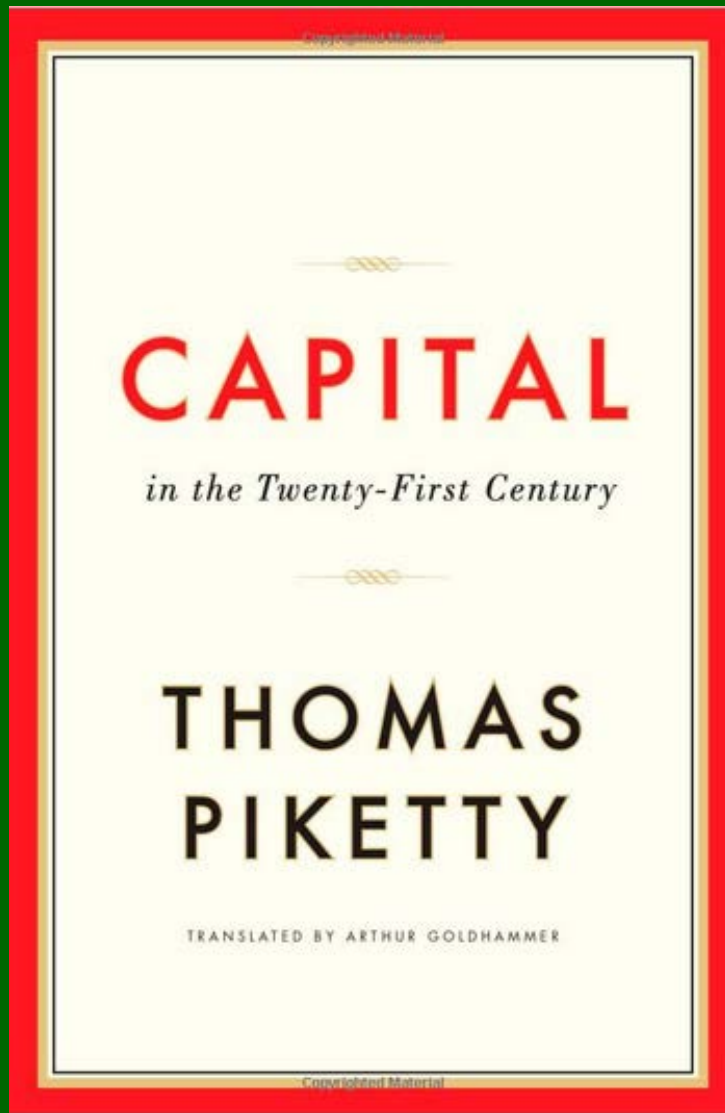


... the ultimate objective of urban policy is to improve outcomes for people rather than places

The Future & Economy of the GGH & Canada



All Lost Equality in Housing? THE “DISAPPEARING” MIDDLE CLASS



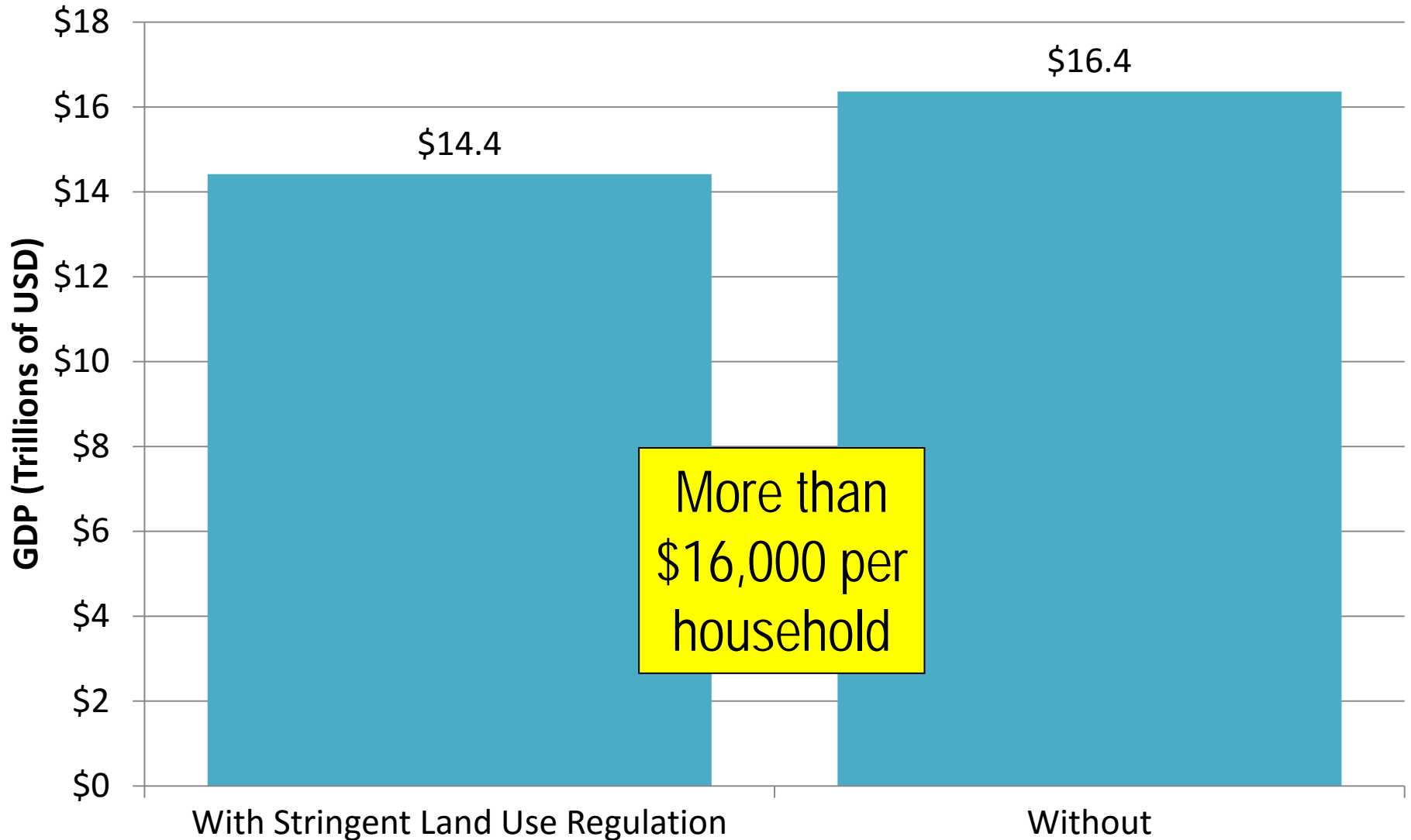
*Virtually all
increased inequality
is in higher
housing values*

*Much due to
Housing regulation*

-Rognlie, MIT

\$2 Trillion GDP Loss in the US

LARGELY DUE TO STRINGENT HOUSING REGULATION



Source: Hsieh and Moretti, 2014.



Fears of a Housing Bubble

BANK OF CANADA, OECD & OTHERS

PROSPECTS FOR THE GREATER GOLDEN HORSESHOE



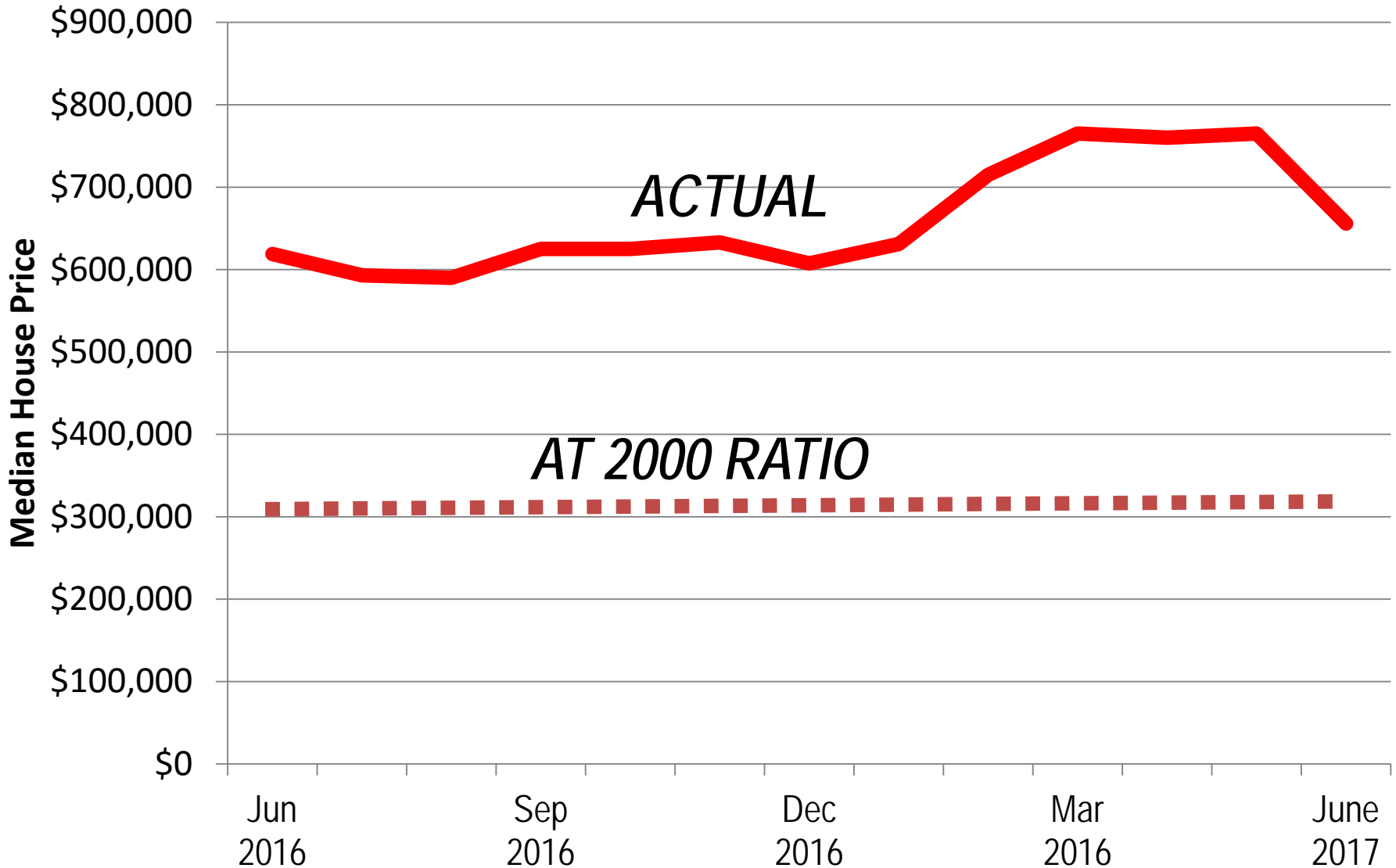
LIKELY TO WORSEN

**ALREADY SPREADING
TO THE REST OF THE
GREATER GOLDEN
HORSESHOE**

**STRONGER
INTENSIFICATION
REQUIREMENTS**

The Need to Restore Affordability

FOR THE NEXT GENERATION AND THE ECONOMY



Restoring Housing Affordability: Strategies AND SERVING THE NATION & 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