

Location-Efficient Choices for GTA Homebuyers

A policy supplement to *Priced Out*

Photo: Queen Street by Ian Freilich/Hickr CC

Housing prices have been rising in the Greater Toronto Area in large part because of the limited supply of single-family homes in desirable, established neighbourhoods. This policy supplement draws on the latest research on the topic and presents eight policy solutions to encourage family-friendly housing options in these neighbourhoods.

Why are GTA housing prices rising?

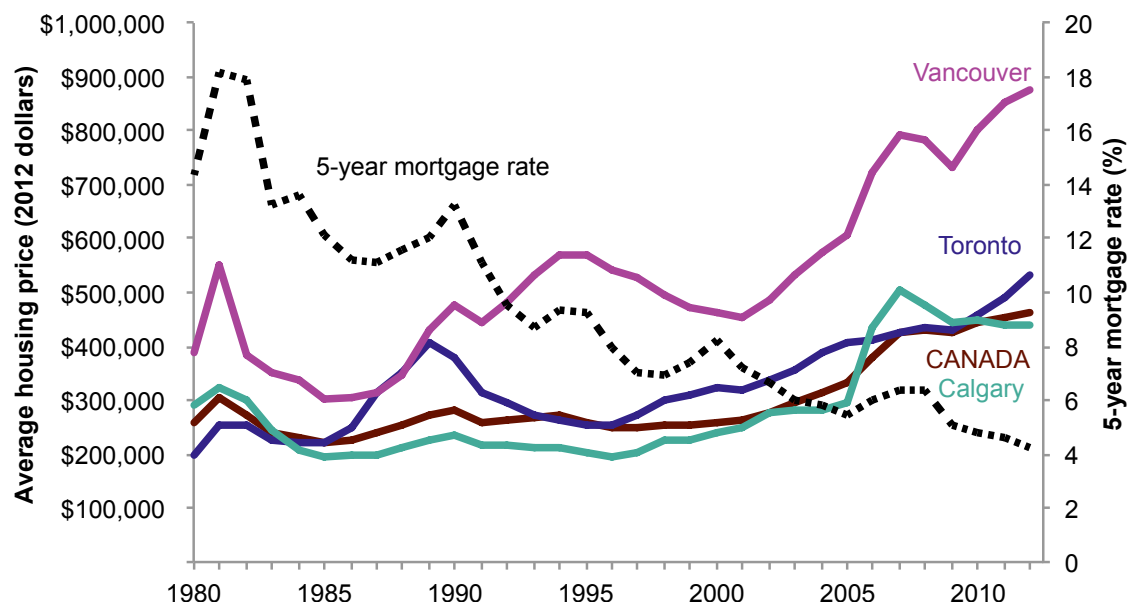
Several factors have impacted home prices in Canada over the past decade. These include a strong economy, low interest rates and favourable mortgage insurance rules.

All of these factors have increased the demand for homes and driven up prices across Canada, including in the Greater Toronto Area (GTA). Figure 1 shows the national trend in housing prices from 1980 to the

present, as well as the price trends in several major Canadian cities.

Nationally, the increase in home prices throughout the 2000s was significantly driven by lower interest rates and the increased accessibility of mortgages. Prices in the GTA have paralleled the national trend and have risen gradually, without the sharp spikes witnessed in other cities such as Calgary and Vancouver.

Figure 1. Average housing prices in Canada and average mortgage interest rate
Calculated using data from the UBC Centre for Urban Economics and Real Estate and Statistics Canada¹



Where we want to live

Released in 2012, the Royal Bank of Canada and the Pembina Institute’s *Home Location Study* found that more than 80% of GTA residents would give up a large home and yard to live in a “location-efficient” neighbourhood that is transit-friendly, walkable and offers shorter commute times.²

However, more than 70% of residents in the GTA live where they do because of affordability rather than preference for the location.³

Many homebuyers are being “priced out” of location-efficient neighbourhoods. When purchasing a home, they are faced with a trade-off: they can choose either condominium-style living in a transit-accessible neighbourhood, or to own a single-family home located in a car-dependent neighbourhood.

Supply and demand

Price increases are not uniform across the GTA, nor within the municipalities that comprise it. Rather, they are greatest in location-efficient

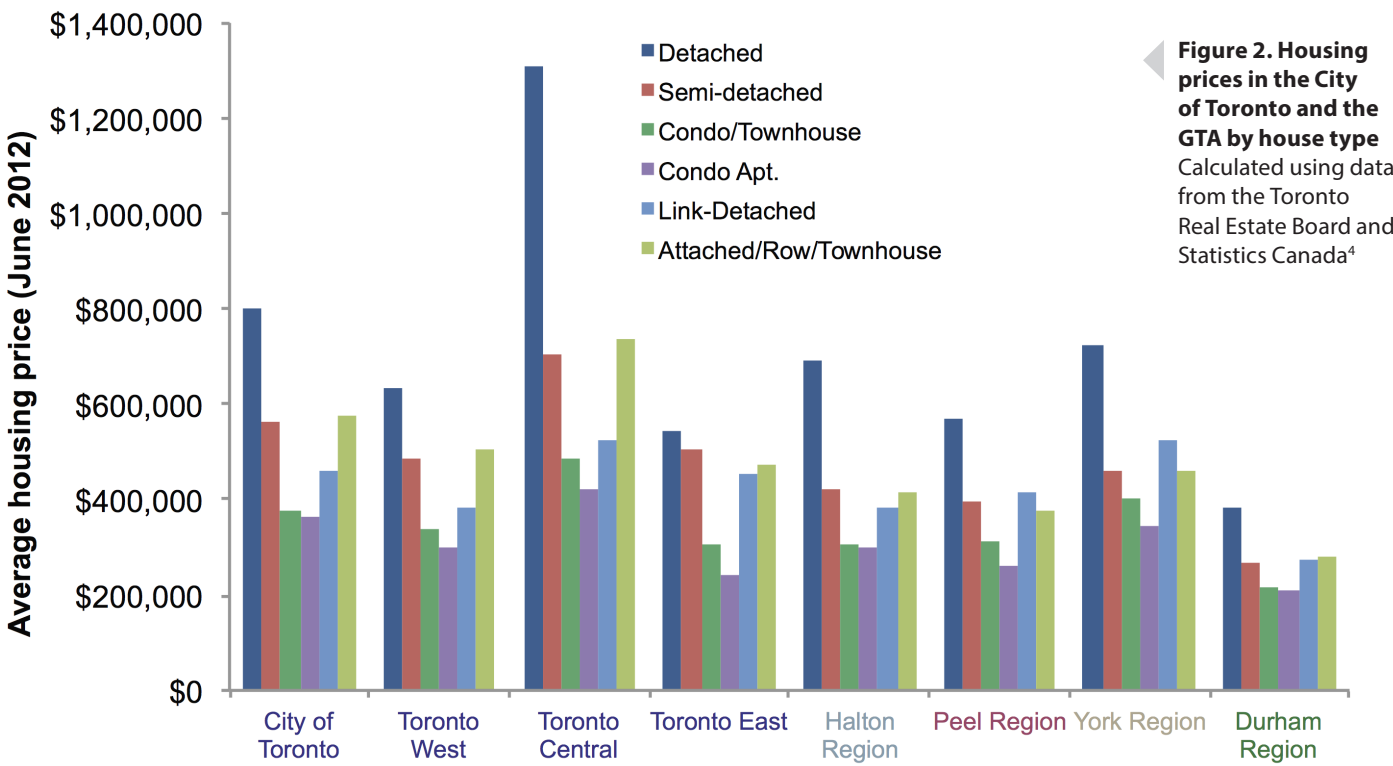


Photo: Roberta Franchuk, Pembina Institute

▲ Housing prices vary significantly both between municipalities in the GTA, and within individual municipalities.

neighbourhoods in the City of Toronto and other preferred urban and suburban locations in the GTA.

These regional increases are caused in large part by the limited supply of housing stock such as single-family homes in these locations. The demand for single-family homes in the City of Toronto and the municipalities that border it has outstripped supply, driving up prices for these homes.



▲ **Figure 2. Housing prices in the City of Toronto and the GTA by house type**
Calculated using data from the Toronto Real Estate Board and Statistics Canada⁴

Land is not the issue

The availability of land, both in terms of its physical location and the regulations governing its use, can influence home prices. However, in the GTA this may only be an issue for specific, established neighbourhoods.

There is an adequate supply of land in the GTA for approved and future residential developments. Based on municipal projections, 81% of the land available for development will still be unused in 2031.⁵

Moreover, intensification policies mean that more housing units can be built per acre. It is possible to build 250,000 more high-density housing units in the GTA by 2031 using the same amount of land than would have been possible with the lower-density development of the past decades.

Land availability is not an issue for the region, but it is relevant for the established neighbourhoods that are favoured by homebuyers. These neighbourhoods,



Photo: Kevin Sauvé, Pembina Institute

There is no shortage of land in the GTA to build single-family homes, but much of it is far from established neighbourhoods.

which tend to be near the urban centre, are experiencing high levels of demand combined with a lack of available land and therefore higher prices.

Figure 3 shows how prices are highest closer to urban and suburban centres for all regions in the GTA, be it the City of Toronto or other municipalities.

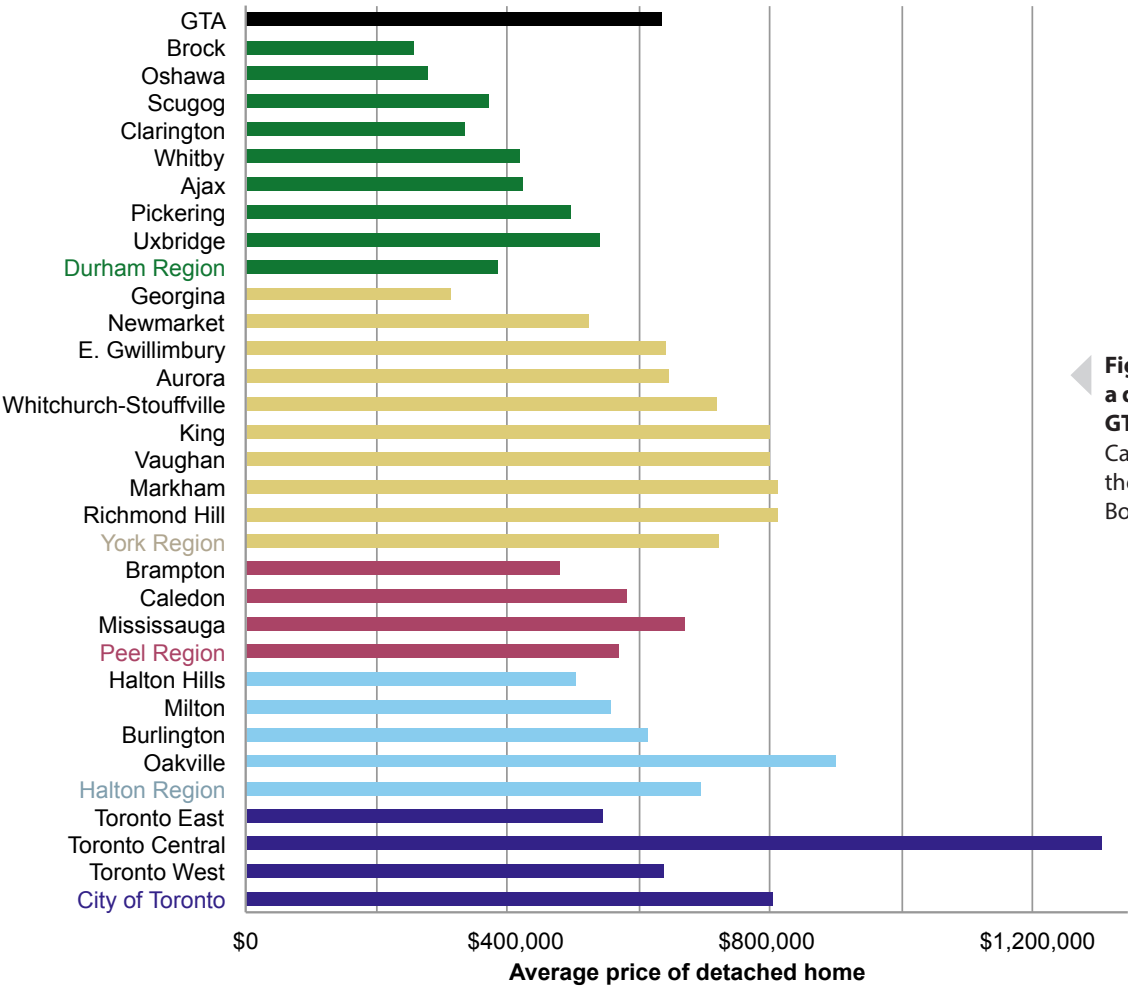


Figure 3. Average price of a detached house in the GTA, June 2012
Calculated using data from the Toronto Real Estate Board and Statistics Canada⁶

Making way for location-efficient development

Faced with limited options, many homebuyers opt for a single-family home in a car-dependent location. Changes to planning and development policies are needed to encourage developers to build family-friendly homes in both urban and suburban location-efficient neighbourhoods.

While high-rises continue to have their place, the GTA needs more medium-density development — such as midrise condos, stacked townhouses and row townhouses — in established neighbourhoods, around mobility hubs, on under-developed avenues and along new transit lines. This type of development offers a neighbourhood atmosphere

and provides another choice for homebuyers, especially families.

There are currently costs and restrictions that make it prohibitive for developers to build six-storey buildings or other medium-density options. Because of these factors, it is often more cost-effective for developers to build either high-rises in urban centres with small units, or sprawling houses in distant greenfields.

The following policy solutions* could help address these challenges and provide more choices for homebuyers:

1 Change the building code to support mid-rise buildings.

Easing certain restrictions in the building code would make conditions in the GTA more cost-effective for mid-rise development.⁷

2 Pre-zone sections of Toronto's "avenues" for mid-rise development.

Appropriate sections of Toronto's avenues should be designated and approved for mid-rise development.⁸

3 Remove minimum parking requirements for new developments.

Allowing condos to be built with fewer parking spaces reduces costs that are passed on to homebuyers, who can then choose to buy a more affordable unit without a parking space.⁹

4 Provide more family-friendly units in high-rise condo developments.

If more multi-unit homes were available in location-efficient neighbourhoods, they could compete with detached suburban homes in terms of price. Families could also save on transportation.

5 Reform development charges to reflect the true cost of sprawl.

It typically costs more to service greenfield sprawl. Reducing these subsidies to sprawl can encourage more location-efficient development.¹⁰

6 Adjust development charges to function as "area-based" charges.

Charging fairly for the space occupied and the capital investments needed to service development can level the playing field for compact development in established locations.¹¹

Eight policy solutions

7 Use new transit lines to support location-efficient development.

For example, before transit funding is approved, the government can require that areas around mobility hubs and transit corridors be pre-zoned to require compact, transit-supportive densities.¹²

8 Strengthen the rules of Ontario's planning policies.

Regulations and legislation such as the Places to Grow Act can be strengthened to ensure compliance by municipalities, which will help control sprawl and support compact development.¹³

Endnotes

¹ UBC Centre for Urban Economics and Real Estate, "Compilations of Royal LePage House Price Survey Data"; Statistics Canada, "Consumer Price Index (CPI), 2009 basket," CANSIM Table 326-0021. <http://www5.statcan.gc.ca/cansim/>

² Cherise Burda, *RBC-Pembina Home Location Study: Understanding Where Greater Toronto Area Residents Prefer to Live*, Pembina Institute (2012) 1. <http://www.pembina.org/pub/2358>

³ Ibid., 8.

⁴ Toronto Real Estate Board. June 2012 Market Watch (2012). http://www.torontorealestateboard.com/market_news/market_watch/2012/mw1206.pdf

⁵ Based on data submitted to municipalities for additional residential and employment lands to meet their 2031 population growth forecasts, only 18.4% of land available in the whitebelt would be required. See: Ray Tomalty and Bartek Komorowski, "Inside and Out: Sustaining Ontario's Greenbelt," Greenbelt Foundation Occasional Papers (2011), 7.

⁶ June 2012 Market Watch.

⁷ For example, allowing wood-frame construction for six-storey buildings would reduce costs significantly. Other jurisdictions such as British Columbia have already made this change. See: Paul Bedford, *Unlocking the Potential for Mid-Rise Buildings: Six Storey Wood Structures*, prepared for the Building Industry and Land Development Association (2013).

⁸ Zoning is currently restrictive and not aligned with Toronto's planning objectives. See: John Michael McGrath, "Jen Keesmaat's Big Idea: Let developers build what we want them to build, and help them do it faster," *Torontoist*, January 21, 2013. <http://torontoist.com/2013/01/jen-keesmaats-big-idea/>

⁹ A stacked parking space can cost as much as \$60,000. Removing a portion of this cost from the sticker price of a home provides an affordable choice for homebuyers. See: Cherise Burda et al., *Live Where You Go: Encouraging Location Efficient Development in Ontario*, Pembina Institute (2012) 26.

¹⁰ Cherise Burda et al., *Live Where You Go: Encouraging Location Efficient Development in Ontario*, Pembina Institute (2012) 26.

¹¹ Ibid.

¹² Ibid., 27.

¹³ Analysis of the Growth Plan has found many exceptions made to its provisions and lack of consistent methods in land budgeting. See: Neptis Foundation, *Implementing the Growth Plan for the Greater Golden Horseshoe: Has the strategic regional vision been compromised?* (2013).