



by [Lydia McNutt](#)  
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## Home builders talk housing affordability



The Toronto housing market has been on an extended upswing for the last decade, first making headlines for rising prices, then record-breaking, and now out of reach for the average homebuyer. How did it get to this point, and what are the consequences? Some of the GTA's top home builders give their two cents on these issues, and the million-dollar question: how do we deal with housing affordability?

There's a fundamental economic issue that's causing GTA home prices to rise – demand is outpacing supply. To better understand a potential solution, let's take a closer look at the problem.

Anson Kwok, vice-president of sales and marketing at [Pinnacle International](#), says there are a few contributing factors, including land supply, infrastructure and lifestyle.

### Land supply

“There is a limited supply of zoned and serviceable land, along with a more extensive planning process that may take a couple of years for new product to reach the marketplace,” Kwok says.

Tariq Adi, chief executive officer of [Adi Development Group Inc.](#), blames the Greenbelt legislation for the land supply problem, virtually stopping new lowrise construction “which has, in turn, put a real strain on lowrise housing supply and pricing, with the price of a single-family home in the GTA in cities like Toronto, Burlington and Richmond Hill exceeding the \$1 million mark,” he says. “And we’re not talking a new custom home at that price, but an older ‘cookie-cutter’ home with builder standards, in some cases on smaller lots, that are 10 to 15 years old.

“With all this happening, people are rethinking their entry into the property market and asking themselves, ‘Do we really need the big house, and can we even afford it?’ Unfortunately the answer for most is: no.”

### **Infrastructure**

Amplifying the land supply problem are shortfalls in infrastructure. Kwok says, “The lack of transportation investments and the extended delivery time-frames do not help with new growth opportunities that are accessible to transportation.” But according to Adi, this is changing.

The low supply, high demand housing market has resulted in population spill-over into surrounding areas, followed by infrastructure investments to accommodate this influx of residents.

With downtown Toronto just a worry-free train-ride away, the more-affordable 905 areas are more enticing than ever.

“We’re on the crux of a paradigm shift in thinking when it comes to housing affordability. Simply put, people are rethinking where they want to live,” says Adi, a developer currently active in Burlington. “The reality is, compact housing that’s close to transit with great amenities is the future of the suburbs,” he says.

“The province, through [Metrolinx](#), along with municipalities are upgrading their local transit networks, and big investments are being made to move people efficiently and cost effectively. I think Canada’s a little behind [when] compared to Europe and some cities in the U.S. in that regard, but the government is addressing these issues. As this is happening, people are rethinking where they want to live and it’s mainly a function of affordability for most.”

Adi points to cities such as Burlington, Ont. – home of multiple mobility hubs – as a popular destination. Burlington saw residential price growth of more than 24 per cent in the last three years, he says. “It’s centrally located on the Golden Horseshoe with multiple GO stations, which can have you at Union Station in less than an hour. Developments like [StationWest](#) and [The West](#) by Adi were both a huge success and sold very quickly, catering to the first-time Millennial buyer and downsizers who didn’t care as much about being close to the big city, [with] transit at their doorstep.”

### **Boomtown: the 905 and beyond**

“Remaining lowrise inventory continues set new record lows across the GTA, with just 1,376 units available for sale as of the end of August 2016,” says Gary Mcilravey, manager of market research at [Empire Communities](#).

Mcilravey quotes recent [Altus/RealNet](#) data, which indicates just one new sales development in Barrie with 10 units remaining. Similarly, Hamilton and Oshawa each have less than 85 detached lots available for sale.

“This lack of lowrise inventory in the GTA has definitely pushed buyers out to these [GTA] markets and beyond in search of lowrise housing. Many of the purchasers at Empire’s communities in

Brantford, Caledonia, Hamilton and Niagara Falls, have GTA origins. “As a result, prices are increasing in many outlying markets for new and for resale housing,” he says.

On the subject of spill-over, the latest Housing Market Insight report from Canada Mortgage and Housing Corp. examined how [GTA home prices have impacted neighbouring markets](#). While real estate ripples have historically been seen in nearby cities such as Hamilton, Barrie and Guelph, it’s now showing signs further out, in St. Catharines and Niagara.

“The issue is not that there are no affordable choices in the GTA, just that the form of these affordable choices is much different than in the past,” McIlravey says.

“Home builders are building more high-density housing now in the GTA than they ever have, to meet today’s housing demand. However, it’s also happening now outside the GTA... where condo apartments, stacked townhouses and back-to-back townhouses are becoming increasingly common... Soon, we will see GTA-based buyers moving to outlying markets to purchase affordable [multi-family] housing, not just detached.”

### **Intensification in The Six**

While there’s no denying that the 905 areas are experiencing a boom, Christopher Wein, president of [Great Gulf Residential](#), says “the Toronto market remains very strong with high-density, mixed-use developments forming the majority of available housing product. Additionally, we are seeing an increase in medium-density mixed-use product in desirable city neighbourhoods that have excellent access to transit and desirable, walkable streets.

“Toronto’s varied housing offerings combined with its economic strength, cultural diversity and solid demand continue to make this market a magnate for housing investment,” Wein says. “It will undoubtedly remain as one of the dominant real estate markets in Canada.”

Wein also highlights the resurgence of the rental market as a key outcome of Toronto’s housing affordability challenge. “Purpose-built rental properties are becoming an increasingly common housing option in the GTA and particularly in the core,” he says. “Low residential vacancy rates in the GTA have caused upward pressure on rental rates. Despite this increase, renting remains a much more affordable alternative to ownership in many areas and as a result, has become a more common type of housing which we expect to increase with continued high levels of housing demand.”

### **Tough (but necessary) choices**

For homebuyers who are considering a move away from urban convenience in the interest of stretching their home-buying dollars, Mimi Ng, vice-president of sales and marketing at [Menkes](#), urges careful consideration of this choice – and the consequences.

“In today’s market where affordability is a growing concern, we are seeing buyers go further and further out in the suburbs, and in some cases, even move beyond the GTA. I would urge today’s homebuyers to consider this strategy very carefully, and think about the impact of commuting on the quality of their day-to-day life.”

Ng notes that the GTA is an economic engine that’s chugging along at a strong pace, but a result of that growth is increased traffic and congestion, and longer commuting times, “and that trend is expected to continue,” she adds.

“For a homebuyer who may be choosing to move further away from their place of employment, family and social network of support to get ‘more house’ for their money, think about whether the

trade-off makes sense for you and everyone in your household, and take a realistic view of the commute,” Ng says.

“Say the morning commute from your new home is presently 30 minutes. How much longer does it get when the weather is snowy? Or when there’s a major accident? How often are there major accidents during rush hour? What if, in a couple of years, that commuting time crept up to 45 minutes or an hour? Would that be acceptable to you? How much time are you willing to spend traveling instead of enjoying quality time with your family?” Ng asks.

“Perhaps adjusting expectations and considering a smaller home, or expanding/improving their current home with a renovation,” Ng suggests as alternatives to changing location. “Whatever the ultimate decision, homebuyers should consider all their options and make a choice that fits within their budget and their lifestyle.”

### **Possible solutions**

Should you buy a home, wait, relocate? And, is there a solution to the unaffordable housing problem? For those in search of some concrete answers, Michael Klugmann, vice-president of [Lindvest](#), offers this: “Don’t wait to buy in the GTA with the hope that prices will decrease. Toronto continues to be a place where people want to live. This is good news for those who invest here today.

“To promote housing affordability, the GTA needs better transit and governmental policies that increase and streamline developable land supply, and a tiered development fee structure that favours certain housing types.

“Many assume they cannot afford a home in the GTA because of a rigid notion of what a home is. With a flexible mindset, they could ‘relocate’ to another form of housing, rather than moving away.

“Travel informs us that others have a very different definition of personal living space. Many European and U.S. cities favour high-density urban settings and we are adopting this attitude locally. The popularity of innovative forms of stacked townhomes is one indication that new concepts of ‘home’ are being embraced.

Highrise condo living is another, with fewer square feet to maintain, and shared amenity areas to extend living space. People value homes in neighbourhoods with urban vibrancy and a shorter work commute. At Lindvest, we are building varied forms of homes and condos across the GTA, to address the evolution of where and how people choose to live today.”

### **Some final thoughts of housing affordability...**

When asked to offer some advice to homebuyers who find themselves priced out of this hot housing market, Brian Brown, vice-president of [Lifetime Developments](#) doesn’t mince words.

“Don’t do it,” he says, admitting that this must sound odd coming from a developer.

It’s the same advice he gives his kids when they want to buy a toy they can’t afford; the advice he offers friends when they want to buy a sports car that’s too expensive; or the advice he gives himself when those dream vacation ads pop up in his Inbox each November.

“The biggest threat to our strong real estate market and local economy is a generation of buyers who, in pursuit of the housing dream, throw caution to the wind, assume a crippling mortgage, and take on more debt than they can handle.

“Don’t get me wrong; just because I believe financial discipline is the secret to financial freedom, doesn’t mean that I don’t believe in making purchases and investments – large and small – that are right for me and my family, at the right time. And that is my advice for today’s new condo purchasers thinking about buying into today’s real estate market: Be disciplined. Be prudent. Be responsible.

“Housing affordability, like beauty, is in the eye of the beholder. Make sure you pay attention to both, and I’m certain the current Toronto condo market will, at the right time, offer something both beautiful and affordable.”

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