



Building BC: Housing Completions & Population Growth 2016-2021

March 23, 2022

The Union of British Columbia Municipalities (UBCM) represents 100% of the local governments in BC and has advocated for policy and programs that support its membership's needs since 1905. We are a policy-based organization, guided by member positions established through resolutions at our annual convention. UBCM membership consists of 161 Municipalities, 28 Regional Districts and 9 First Nations.

Overview

The continuing crisis in housing affordability and attainability is a matter of significant concern for local governments in British Columbia. Recognizing the need for a proactive agenda for change, in 2018 UBCM endorsed a comprehensive [strategy](#) that identified 32 recommendations to address the supply of and demand for housing in our province. Many of the proposals advanced in UBCM's strategy were reflected in the B.C. Government's [housing plan](#) introduced later that year.

However, despite the efforts of all orders of government to make homes more affordable since the provincial plan was released, housing affordability and attainability have only worsened. The vexing question for all involved is: “*why?*”

Over the past number of months, numerous opinions have been advanced contending that housing supply is not keeping pace with B.C.'s growing population, and further, that local government development approvals are the primary cause for this gap in supply. In every case, though, the evidence produced to back these assertions is anecdotal housing information. In keeping with UBCM's commitment to evidence-based policy development, we have prepared this report to present the relevant data, including current (2021) Census data, to move the discussion from rhetoric to facts.

Based on the data provided below, UBCM submits that housing supply, as best can be determined based on the data available, *has kept pace* with population growth in British Columbia over the past five years. As detailed below:

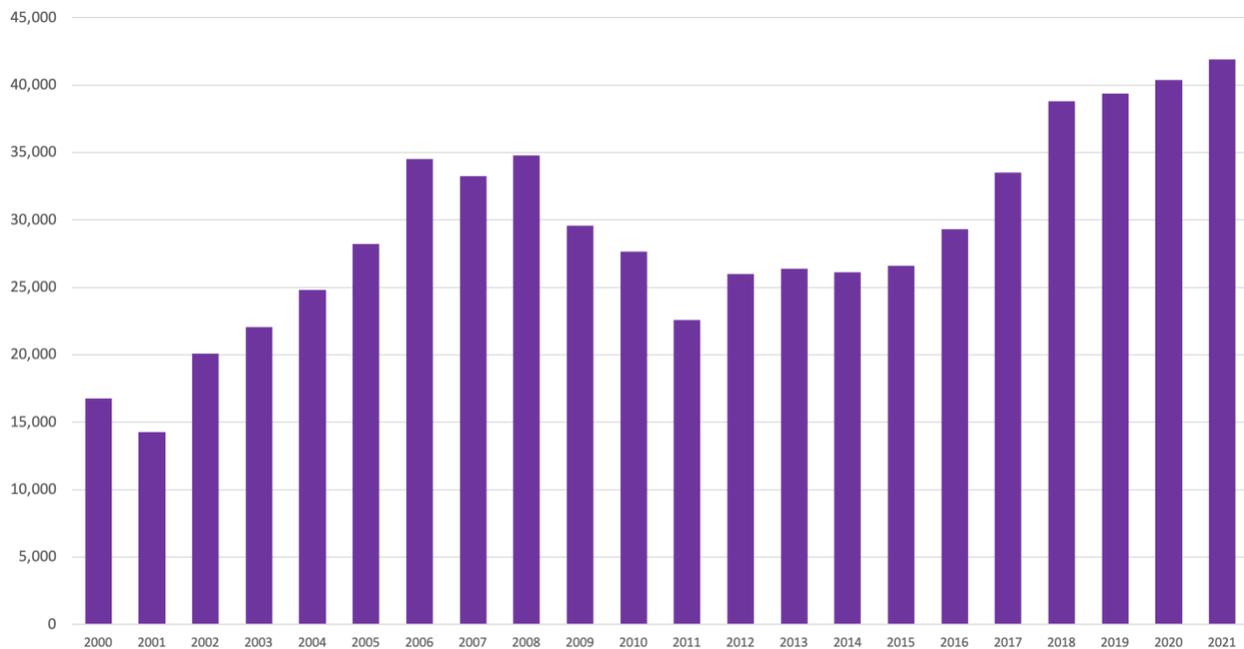
- More housing has been built in British Columbia over the past three years than in any three years in the past 20 years.
- Growth in the number of dwellings in B.C. has closely tracked population growth.
- Across Canada, except the Yukon, no other province or territory has seen higher growth in total dwellings over the last 5 years.
- Local governments are just one of several parties involved in housing development, each with its constraints limiting housing supply:
 - The development sector is currently facing significant trade and supply chain shortages.
 - Rural and northern areas struggle with shortages of qualified professionals, developers and capacity constraints.
 - Provincial approval processes and referrals contribute to delays in housing.
 - The Federal Government is still catching up in utilizing the array of policy levers available to it that would support greater housing attainability, including monetary policy, tax policy, investments in housing supply and other means.

- Effectively tackling affordability requires more than a singular focus on supply. It also requires incentivizing *the right supply* such as affordable rental housing and co-ops and addressing the still-significant influence of speculative demand.

Local Governments & Housing Supply: The Evidence

Local governments across BC have been working in partnership with industry to approve considerable amounts of housing in recent years. This is apparent in the steady growth in housing completions since 2014 (*Figure 1*). More housing has been built in British Columbia over the past three years than in any three years in the past 20.

Figure 1: Housing Completions in British Columbia, 2000-2021



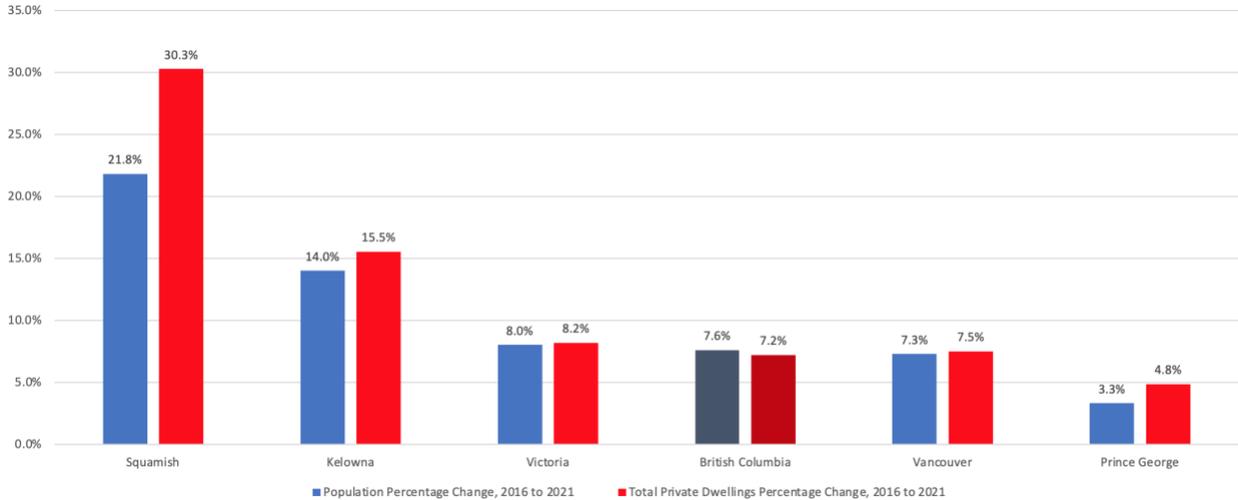
Source: Statistics Canada. Table 34-10-0126-01. Canada Mortgage and Housing Corporation, housing starts, under construction, and completions, all areas, annual

Recently released census data indicates that this growth in completions has translated into total private dwellings approximately keeping pace with population growth over the past 5 years. Between 2016 and 2021, B.C.'s population grew by 352,824 (7.6% growth) while the number of dwellings grew by 148,277 (7.2% growth) in the same period. While there is a level of indeterminacy in the data since current information on household size in B.C. will not be available until later this year, the data for the most recent year available (2016; 2.4 persons per household) indicates that the growth in

homes closely tracks population growth. It also certainly undercuts any claims that there is a gross misalignment between the growth in new homes and the growth in B.C.'s population.

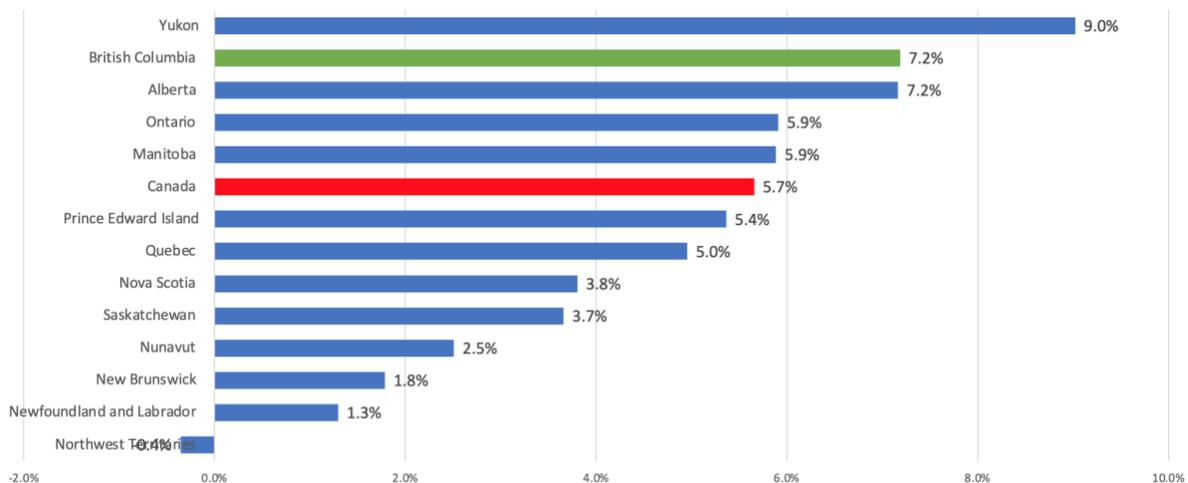
In fact, in several large metropolitan areas, private dwelling growth has exceeded population growth (*Figure 2*). Across Canada, no other province or territory has seen higher growth in total dwellings over this period, except the Yukon (*Figure 3*). Furthermore, analysis of 2001-2016 data finds little evidence to support claims that the supply of housing units in expensive markets has been inadequate to keep up with growth in household numbersⁱ.

Figure 2: Changes in Total Population and Total Private Dwellings in BC Major Census Metropolitan Areas, 2016-2021



Source: Statistics Canada, 2021 Census of Population

Figure 3: Changes in Total Private Dwellings in Canada and Provinces, 2016-2021



Source: Statistics Canada, 2021 Census of Population

At the same time as local governments have been approving housing at a record pace, they have also been working in good faith with the Province to streamline development approvals. Currently, there is a ferment of activity in this area. The provincially funded Local Government Development Approvals program, which was created to support local innovation, has been heavily oversubscribed, funding 43 projects out of 103 applications, indicating both widespread commitment and a range of creative options identified by local government for improvement.

Several conclusions are clear based on the evidence in the most recent data:

- Local governments have responded to increased demand resulting from population growth.
- Housing supply is increasing dramatically, in step with a growing population.
- Local governments continue to innovate and look for new ways to accelerate increased supply.

However, despite the sustained growth of supply over this period, housing affordability and attainability have only gotten worse. There are other contributing factors beyond the pace of local government development approvals contributing to the continued increase in housing costs.

Housing is a Team Effort

There are many parties involved in generating housing supply. Each currently faces significant barriers, challenges and opportunities that could be addressed to improve affordability. While it may be intuitively appealing to point towards local government planning approvals as the single element constraining housing development, this does not hold up to scrutiny.

“You can draw a direct line from labour shortages and longer project completion times to the affordability crisis in B.C.”

-ICBA President Chris Gardner

The development sector currently faces significant trades shortages and supply chain issues and all signs point towards a system at capacity. Recent survey data by the Independent Contractors and Businesses Association (ICBA) highlight the scale of the problem:

- 76% of businesses are taking more time to source construction materials for projects, including 88% in the high growth areas of Vancouver Island, the Interior and the Okanaganⁱⁱ.
- While 96% of ICBA construction companies expect 2022 to be as busy or busier than 2021, 75% already can't find enough workers, up from 61% in 2021ⁱⁱⁱ.

The ICBA has described the present labour shortage as “the most significant labour shortage in decades”, prompting President Chris Gardner to observe that “You can draw a direct line from labour shortages and longer project completion times to the affordability crisis in B.C.”^{iv}

Local governments also face challenges in addressing affordability, but as with the development sector, many of these are outside of their control, including shortages of qualified professionals and a lack of developers in rural and northern communities. As a result, local governments continue to seek support from the Province in these areas. Several recent UBCM resolutions have highlighted such needs, including 2021-EB75, which cites “*rural local governments that lack the financial capacity and professional expertise to develop lands suitable for various forms of housing to encourage small scale developers to construct such housing*”, and requests that the Province create funding programs to encourage small scale developers to construct housing in rural BC.

Local governments are also under increasing pressure to address new and evolving planning challenges such as climate change-related hazards (heatwaves, flooding,

landslides) and associated adaptation and mitigation measures. Planning regulations are in place for specific reasons, often responding to Federal and Provincial legislation. Any push to expedite planning approvals needs to be met with resources that recognize new requirements. Rural, remote and northern regions for instance face barriers to successful implementation of the Energy Step Code that include a lack of local training opportunities and lack of qualified energy advisors (*UBCM resolution 2020-EB87*).

The Province could also take action to streamline and improve their own approvals as detailed in their Development Approvals Process Review Report^v. This report identified several areas of improvement: communication around new provincial policies and regulations, referrals to the Ministry of Transportation and Infrastructure, changes to the Building Code, and late engagement by BC Hydro. These needs have been echoed by the Canadian Home Builders' Association British Columbia, who recently noted^{vi}:

“the process to build a home is complex and often requires cross-ministerial involvement. As such, it is imperative that a housing lens continue to be placed on the work of other ministries. This specifically relates to resolving challenges that have become prevalent with permits requiring the involvement of the Ministry of Forestry, Lands, Natural Resource Operations and Rural Development (FLNRO) and the Ministry of Transportation and Infrastructure (MOTI)”

- Canadian Home Builders' Association, British Columbia

The Federal Government has significant policy levers that dwarf anything that local governments could undertake to address affordability, including monetary policy (historically low interest rates are widely recognized as a major driver for demand in recent years), immigration policy, tax policy and sectoral policy for the housing sector including CMHC policies, mortgage support, levels of public investment and policies related to rent subsidies. While the Federal Government has taken some recent steps to address affordability through the National Housing Strategy (NHS), these steps have been modest and in some cases self-defeating.

A recent evaluation of the NHS found that it is failing to live up to key objectives^{vii}: “Relatively few new units produced by the [National Housing] strategy thus far could lift low-income households out of core housing need, especially lone-parent families and unattached people. Low-income households comprise the bulk of those in need, so for the programs studied to have a meaningful impact on core housing need, new supply must be more affordable than what is currently being produced”.

A Path Forward

It is not uncommon in the current climate of debate to hear assertions that fixing housing is a simple matter of supply and demand. As detailed above, there is nothing simple about housing policy, and simple solutions are likely to be ineffective. Housing policy is complex, with many stakeholders and policy levers affecting outcomes. A narrow focus on local government development approval processes or a poorly defined notion of the supply that is needed, without addressing other elements and participants in the housing system, risks missing important opportunities to improve affordability.

In addition to housing supply, further action continues to be needed to address speculative demand and the financialization of housing^{viii}:

- A January 2022 Bank of Canada report found that just over 20% of new home purchases across Canada are made by investors^{ix}. Secondary rental market housing is more precarious than purpose-built rental housing, and high levels of investor activity can contribute to higher prices for everyone trying to get into the market.
- Some communities in BC are seeing remarkable growth in flipping of pre-sale condos (assignments). For example, Langley has seen a 724% increase over the past 3 years^x, and Abbotsford saw a 161% growth in the same period^{xi}.
- Last year, there were 185 apartment building transactions in Metro Vancouver and Greater Victoria, with a total value of \$3 billion, compared to \$1.1 billion in 2020. A full 60% of these transactions were made by major institutional investors and real estate investment trusts (REITs)^{xii}. Such transactions may only be worthwhile for investors if they result in significant rent hikes, and may pose challenges for non-profits forced to compete for new properties at a significant disadvantage^{xiii}.

As noted by UBC housing researcher Penny Gurstein, the pandemic further exacerbated these challenges^{xiv}:

Our greatest threat right now is the increasing predatory financialization of land and housing. In the crisis that we are currently experiencing, it is a perfect time for real estate investment trusts (REITs) to buy up large swathes of rental housing. We need policies and an ambitious government procurement plan to thwart this.”

-Dr. Penny Gurstein, UBC Professor & Founding Director of the Housing Research Collaborative

Finally, the financialization of housing and a longstanding emphasis of Canadian housing policy on home ownership has also seen real estate develop into a major sector of B.C.'s GDP, accounting for one-fifth of the economy: 20.0% of B.C.'s GDP in 2020^{xv}. This has put the province in a conflicted position where it is increasingly reliant

on Property Transfer Taxes for revenue while at the same time housing has become increasingly unaffordable.

UBCM and others have identified diverse approaches that could be implemented to tackle such challenges. For example, the Report of the Joint UBCM-Province Advisory Group on Short-Term Rentals presents a series of actions that the Province could take to enable local governments to immediately free up long-term rental supply currently being used as short-term rentals^{xvi}. UBCM's 2018 housing strategy also identified measures such as a tax to penalize speculative resale (sometimes referred to as a 'flipping-tax'). This and other demand measures have been identified in the Federal Minister of Housing and Diversity and Inclusion's mandate letter, but have yet to be implemented. In addition, the Province could further follow through on promised measures to require cooling-off periods and to address blind bidding^{xvii}, to better protect prospective homeowners in what is a highly competitive housing market.

Addressing homelessness remains another critical housing need that requires continuous action and investment. UBCM recognizes and strongly appreciates the significant initiatives and funding put forward by the Province to address homelessness in recent years, including through recently announced funding for complex care housing^{xviii}. Such initiatives, developed in conjunction with local governments, represent an important example of how collaboration amongst orders of government continues to be the best way to build effective policy.

Within this context, the four policy shifts identified in UBCM's housing strategy^{xix} remain relevant today in ensuring an evidence-based approach to housing:

1. **A Rental Housing Strategy** to help address a deficit in rental housing built up through decades of policy priority on homeownership. This would see a variety of incentives and investments to support "right supply" more broadly - including co-ops and other forms of attainable housing - not just supply for the sake of supply.
2. **A Demand Management Strategy** with measures to stabilize prices and restore affordability. In the present context, further data development and measures are required to address wide-ranging current pressures on housing affordability including REIT purchases, speculative investment and short-term rentals.
3. **A Comprehensive Homeless Strategy** to substantially reduce the number of people who are homeless. While supportive housing continues to be critically needed, further investments in attainable housing and demand management are also needed to reduce pathways into homelessness.
4. **An All-Government Approach towards Housing Affordability**, through which all orders of government collaborate at a community level to bring about community appropriate change.

Conclusion

Local governments in B.C. recognize that our province is facing an affordability crisis. Given the scale of the challenge and the risks associated with continued housing cost escalation, local governments also appreciate the significant investments that the provincial and federal governments have made in addressing housing and homelessness in recent years. It is also obvious that the best efforts of all orders of government and industry have not been effective, and that it is necessary to redouble our efforts collectively to strengthen housing policy with a focus on housing affordability and attainability.

The notion, though, that there is a crisis in the supply of housing relative to population growth is not supported by evidence. Given that local governments have also approved record amounts of new homes over the past several years, it is evident that the data does not support a mandate for wholesale change to the development approval process, but instead continued streamlining. Local governments have been proactively engaged in improving these processes and UBCM has been working with the province to continue to affect legislative and other changes to improve affordability in practical and effective ways.

Acknowledgment:

UBCM would like to thank Andy Yan, Director of SFU's City Program, for his analysis and presentation of CMHC and Statistics Canada housing data used in this report.

Notes:

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- ⁱ <https://www.kpu.ca/sites/default/files/The%20Housing%20Supply%20Myth%20Report%20John%20Rose.pdf>
<https://www.kpu.ca/sites/default/files/Rebuttal%20to%20Lauster--Methodology.pdf>
- ⁱⁱ <https://www.icbaindependent.ca/2022/01/05/news-release-construction-challenged-by-supply-chain-issues-says-icba-survey/>
- ⁱⁱⁱ <https://www.icbaindependent.ca/2022/01/18/news-release-more-work-higher-wages-and-a-desperate-need-for-more-people-says-icba-construction-survey/>
- ^{iv} <https://www.icbaindependent.ca/2022/01/18/news-release-more-work-higher-wages-and-a-desperate-need-for-more-people-says-icba-construction-survey/>
- ^v https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/local-governments/planning-land-use/dapr_2019_report.pdf
- ^{vi} <https://chbabc.org/wp-content/uploads/2021/05/20210514-CHBABC-Key-Housing-Supply-Challenges-and-Recommended-Immediate-Actions-FINAL.pdf>
- ^{vii} <https://assets.cmhc-schl.gc.ca/sites/place-to-call-home/pdfs/analysis-affordable-housing-supply-created-unilateral-nhs-programs-en.pdf>
- ^{viii} The financialization of housing can be described as “*the growing influence of financial instruments, institutions, and investors in local housing markets*”, as detailed in this 2021 CMHC funded report:
<https://socialinnovation.org/offering/financialization-of-housing/>
- ^{ix} <https://www.bankofcanada.ca/2022/01/staff-analytical-note-2022-1/>
- ^x <https://www.aldergrovestar.com/news/flipping-of-langley-pre-sale-condos-townhouses-rises-724-per-cent-in-three-years/>
- ^{xi} <https://www.theprogress.com/news/flipping-of-pre-sale-condos-in-langley-abbotsford-not-yet-happening-in-chilliwack/>
- ^{xii} <https://multifamilybc.cbrevancouver.com/code/wp-content/uploads/2022/01/CBRE-National-Apartment-Group-2021-Apartment-Report-Jan-28-2022.pdf>
- ^{xiii} <https://vancouversun.com/news/local-news/rental-housing-investment-feature>
<https://policyoptions.irpp.org/magazines/june-2021/affordable-secure-and-adequate-housing-as-an-economic-strategy/>
- ^{xiv} <https://policyoptions.irpp.org/magazines/june-2021/affordable-secure-and-adequate-housing-as-an-economic-strategy/>
- ^{xv} <https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/government-finances/financial-economic-review/financial-economic-review-2021.pdf>
- ^{xvi} https://www.ubcm.ca/sites/default/files/2021-11/Policy%20Areas_Housing_Priorities%20for%20Short-Term%20Rentals%20Report_2021-10.pdf
- ^{xvii} <https://news.gov.bc.ca/releases/2021FIN0070-002097>
- ^{xviii} <https://news.gov.bc.ca/releases/2022MMHA0005-000083>
- ^{xix} <https://www.ubcm.ca/sites/default/files/2021-08/UBCM%20Housing%20Strategy.pdf>