

The key to affordable housing isn't building more units — it's better public transportation

Haider-Moranis Bulletin: Public-sector interventions seldom make a huge difference in housing markets, and neither do falling sales or prices

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Two contrasting pictures of Toronto's housing market have emerged in the past week. One shows the market is recovering from last year's slump when prices and sales fell. The other shows the market is becoming increasingly unaffordable, prompting one mayoral hopeful to make affordable housing a central plank of her campaign.

This housing market seesaw suggests the balancing act of maintaining healthy returns in housing while keeping the city affordable is becoming increasingly difficult.

July housing sales data in Toronto paints a picture of a recovering market with both sales and prices higher than a year earlier. After months of falling prices and

sales, news of a recovery has elated homeowners, but not so much others who feel left out by the housing market.

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Jennifer Keesmaat, Toronto's former chief planner who is running for mayor, has promised to build 100,000 affordable units over the next 10 years. Details of her plan are not known, and 100,000 may seem like a large number, but for a growing city, these units, even if built, are unlikely to have a large impact on improving affordability.



Toronto mayoral candidate Jennifer Keesmaat has promised to build 100,000 affordable units over the next 10 years. *Jack Boland/Toronto Sun/Postmedia Network*

Such public-sector interventions seldom make a huge difference in housing markets. Even falling housing sales and prices do not necessarily improve affordability. Indeed, such developments can hurt those who were supposed to be the intended beneficiaries.

For example, falling Toronto housing prices and sales last year did not make housing more affordable for low-income households because the prices of starter homes, favoured by first-time homebuyers, had little fat to lose.

Some first-time homebuyers who put money down on under-construction units in Barrie, Ont., a remote suburb of Toronto, are now [struggling to come up with additional funds](#) because the price they agreed to last year is significantly more than the assessed value today, resulting in a large difference between the mortgage amount and the price they must pay.

At the same time, falling prices do not imply that rents will follow suit. Rents are less volatile than home prices and are slow to adjust to housing market fluctuations. Thus, a short-term decline in housing prices does not necessarily result in more affordable rental units.

PRICES ARE CHEAPER IN THE SUBURBS THAN IN TORONTO

AVERAGE PRICE IN THOUSANDS OF DOLLARS

■ City of Toronto ■ Outer (905 suburbs)



SOURCE: TORONTO REAL ESTATE BOARD

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And then there are the unintended consequences of policies directed at improving housing affordability.

For example, the Ontario government last year imposed regulations that further restricted a landlord's ability to set rents. Yet a [city staff report](#) earlier this year stated that rents in purpose-built rentals in Toronto "have soared to a 15-year high, while vacancy rates are now the lowest they've been in 16 years."

This housing market dilemma is not unique to Toronto. Other successful growing cities such as London, New York and Vancouver have faced the same conundrum for decades, if not longer.

In Vancouver, many wonder if the city can still attract school teachers, municipal workers and others whose skills are essential, but whose wages are not sufficient to own or rent enough shelter space to meet their family's needs.

The solution to these issues could be to improve transportation infrastructure, which has played a key role in creating affordable housing within a reasonable commute of large urban employment centres.

For instance, the commuter rail and subway systems in New York and London have stretched the boundaries of those cities farther out so that low- and middle-income workers can work in more central areas while still being able to afford the housing their families need without spending excessive time commuting.

The GO Transit system in Toronto and the Exo rail network in Montreal are examples of how public transportation infrastructure has improved accessibility and affordability for those who cannot afford market rents in the central city but still need to work there.

Publicly owned land in high-demand central areas could be used to build housing in partnership with the private sector, but a better approach would be to use the land in these areas for the best use — commercial/office development — and invest in rail-based transit to expand the housing boundaries of the city and its suburbs.

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