

Economists take on housing

# BURSTING THE BUBBLE

By Geordie Gordon

An expert panel convened to address the issue of when Toronto's housing bubble would burst came to a consensus that the city is not in fact in the midst of a bubble. In the absence of data showing a large share of speculation in the housing market, the continuing increase in housing prices is being driven by demand. The city and surrounding region are not adequately supplying ground-related housing to meet that demand.

The premise of the event, hosted by the Centre for Urban Research and Land Development at **Ryerson University** was reflected in its title—When will the Toronto Region's Housing Bubble Burst?

Vancouver-based **Central 1 Credit Union** chief economist and panelist **Helmut Pastrick** said that without data showing that the level of speculation in the housing market is high—such as 30 or 40 per cent—a bubble does not exist.

"I need more information, I would like to know the amount of speculative activity that is occurring, and I don't have that data. ....Without that information, I would say probably [Toronto is] not in a bubble. Yes it's expensive, yes it's unaffordable, but it's not a bubble at this point, in my view," he said.

**Altus Group** vice president and chief economist **Peter Norman** told the audience that if they are the owner of a single-detached home, they are currently earning around \$1,000 per day on their home.

"Is that a sustainable rate of increase? That's sort of what we're talking about right now—it seems like it's pretty steep" he said. "It does seem like we're in a situation where prices are rising too quickly."

As a way to address housing affordability in Toronto, Norman suggested that the city could increase the property tax rate, which he says is low. This would have a twofold effect. It would provide the city with needed revenue, and it would cool the price of homes by increasing operating costs.

"You've got to wonder whether there is room for the city to rely on it more heavily as a revenue source, he told NRU. "[Also] the primary impact that raising property taxes has on the housing market is it brings housing prices down, or in the case of housing prices going up fast, it will temper how fast they go up."

Norman also spoke about managing growth in the region,

saying that the next 10 years are going to be much different than the previous 10. He said that the rate of growth over the past 10 years has remained fairly steady at 80,000 to 100,000 people coming to the GTA over the past decade, and housing production has remained fairly steady as well. But things are going to change rapidly over the next 10 years.

"The issue is that the demand for housing, and how that growth is translating into housing is going to look dramatically different in the next 10 years as the demographics change. I think we're at a real risk right now that we're not setting ourselves up from a supply perspective properly to address where the demand is going to come from," he said.

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• Peter Norman

Speaking to *NRU* following the panel discussion, Norman explained that to address the housing demand that will come from people born in the 1980s, the region will need 187,000 single-family homes, and no apartments because that demand can be met by existing stock. He said the apartment demand, which is substantial, is being driven by people born in the 1990s.

"[The apartments] that we're building right now are for people who are born in 1991 and beyond," he said.

Addressing the constraints on land supply in Toronto, Norman said there are appropriate areas for high-density housing, such as transit corridors and the city of Toronto could be more open to increasing densities along its transit corridors.

"They're very reticent for intensification along Eglinton and along St. Clair where they've invested [in] a lot of transportation," he said. "Where we really should be encouraging a lot of that [future] apartment demand that we need in the next 10 years should be along where we've already invested in transit and where we plan to," he said.

The panel discussion, which also included **Will Dunning** (**Will Dunning Inc.**), took place June 22 and was moderated by *Globe and Mail* columnist **Rob Carrick**. **nrn**