



# Centre for Urban Research and Land Development

## Basic Concepts in Understanding Housing and Land Markets

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# Presentation Outline



- Background and Economic Policy Reports
- Basics of the Housing Market: Demand/Supply
- Some Considerations of the Land Market
- Summary

# Premise: Market Determines Prices



- The Media reports prices from a market perspective
- The Public generally accepts the premise
- Urban Researchers discuss market prices
- Policy Analysts and politicians rely on market prices
- How deep is the basic understanding of the factors underlying market prices ?

# Reports and Literature on Local Markets/Policy



- Toronto 45 Ft Height By-Law (Deweese and Nowlan, 1975)
- “Fundamentals of Residential Land Price Determination” (Nowlan, 1978)
- Federal Provincial Land Price Study (Greenspan Report, 1978)
- Economics of Provincial Land Use Policy, (Frankena, 1980)

# Recent Commentaries



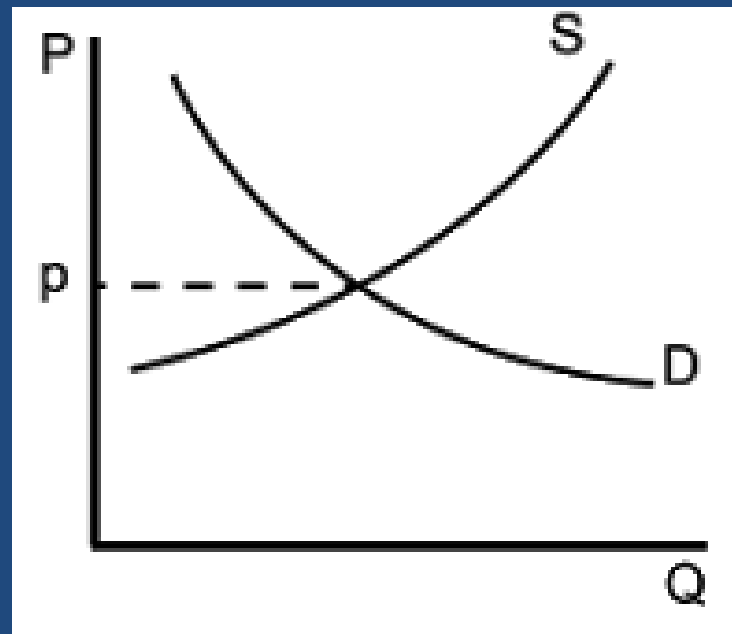
- “Building a Sustainable Toronto”, ( McKellar, Amborski, 2009)
- Perverse Cities, (Blais, 2010)
- Taxation/Municipal Finance, (CD Howe, IMFG Munk Centre)
- “Location Matters”, (Pembina, 2015)
- “The Land Supply Question...”, (Neptis, 2015)

# Basic Economic Theory



- Market prices are determined by the intersection of the supply and demand curves
- Both Supply and Demand determine prices jointly
- Alfred Marshall scissors analogy
- What underlies the shape and location of the supply and demand curve?
- What causes shifts in these curves?

# Basic Market Analysis



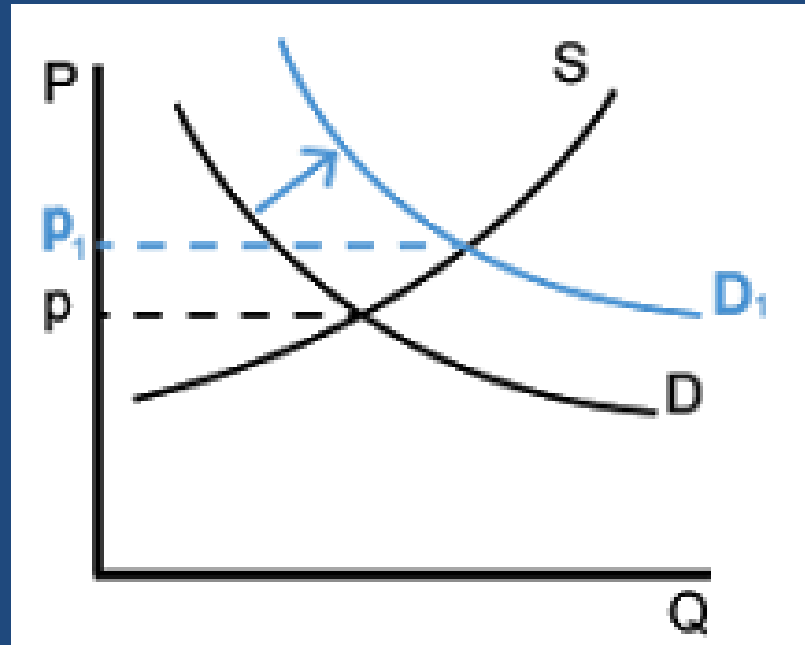
# Factors Underlying the Demand Curve



- Population/Demography including household formation and immigration
- Income/Wealth relates to employment and mortgage rates
- Price of substitutes (among types of tenure and housing types and alternative investments)
- Tastes and Preferences of Consumers



# Shift in the Demand Curve



# Factors Underlying the Supply Curve



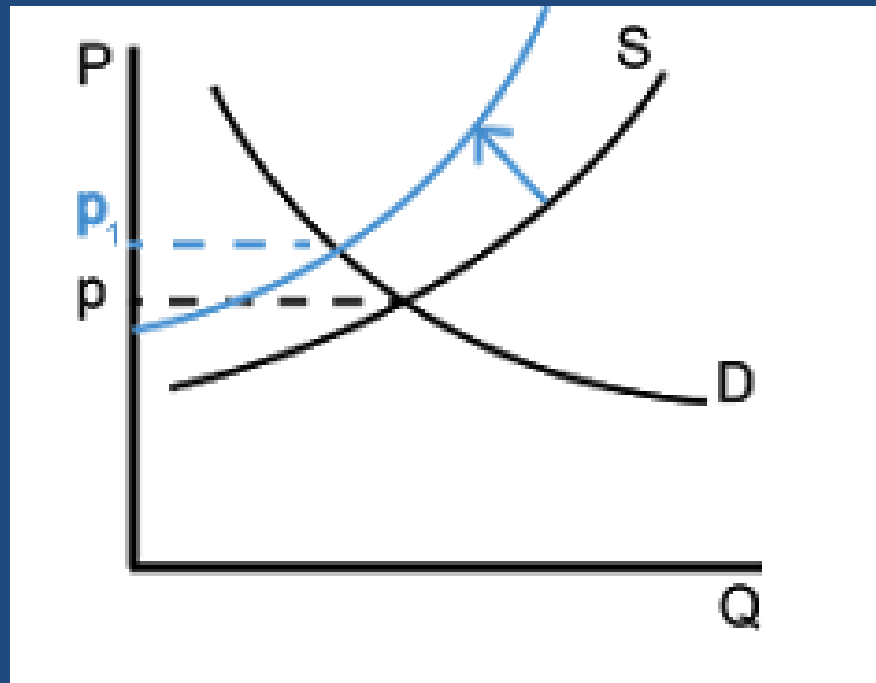
- The Factors of Production
  - Land
  - Labour
  - Capital
- The manner in which the factors are combined to produce housing

# The Key Factor: Land Supply



- The physical/geographic supply
- Supply Designated for urban use (OP)
- The serviced supply, or able to be serviced
- Supply designated for residential use
- Supply designated for specific types of residential used (zoning designations)

# Shift in the Supply Curve

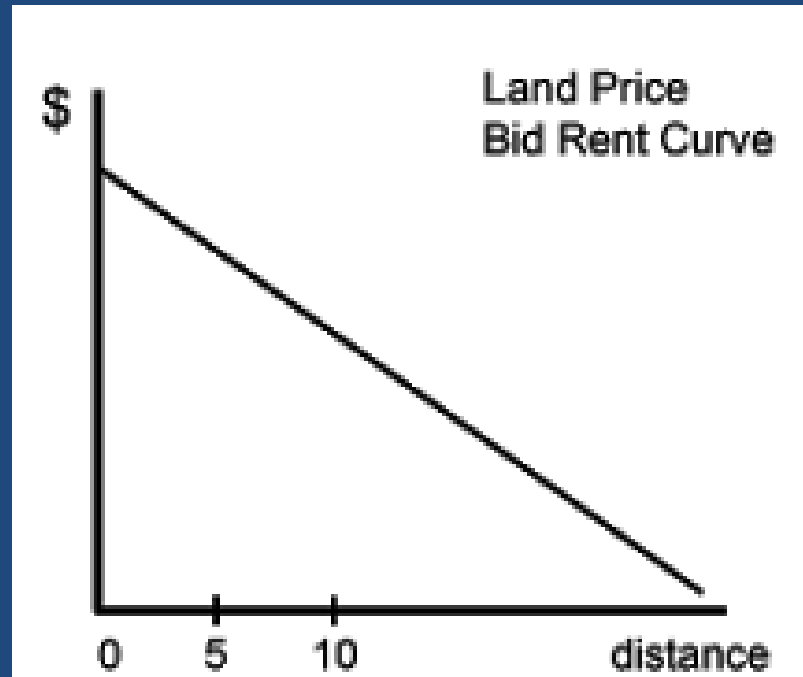


# Considerations in the Land Market



- Spatial context is important in terms of prices
- Expectations and timing of servicing is important
- Land Use Controls can impact prices
  - Official Plans
  - Zoning
  - Subdivision Approvals
  - Containment Policies (Greenbelt)

# Spatial Price Variation (Alonso)



# Housing/Land Submarkets



- Owner Occupied vs Rental (Tenure)
- Freehold vs Condo
- Detached/Semi vs Town House vs Apartment

# Summary



- Urban Housing and Land Market's are complex being influenced by many variables
- It is necessary to understand the basic economics of housing and land markets to understand how they are impacted by urban policies



