



The Surge in Metro Vancouver New Home Completions

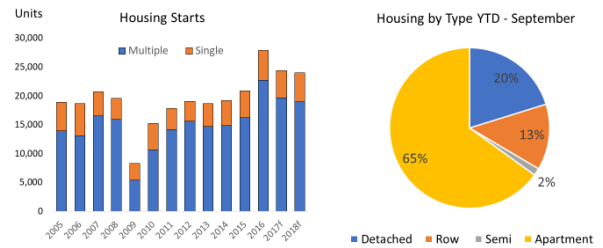
Housing affordability is fundamentally linked to the relationship between the housing stock and market demand. Strong economic growth has created rising labour demand and consumer confidence side effects, while net migration and a wave of millennials entering their household-forming years have rounded out a “perfect storm” of demand-side momentum. In turn, the supply of resale homes on the market in Metro Vancouver has plunged to decade lows. This has led to continuing upward pressure on home prices, because elevated consumer demand hasn’t been matched by an equivalent increase in supply.

It’s more difficult for home builders to meet demand in a timely way, as the emphasis on higher-density communities lengthens the period between project conception and completion. This lag effect has exacerbated short-term market imbalances and even caused some in the media to question the efficacy of long-established market theory.

The inventory of newly-built multi-family homes that are complete and unoccupied has declined markedly over the past three years, and has trended at just 500 units this year. Home builders have taken notice: multi-family housing starts in Metro Vancouver have surged, up 40 per cent to 22,700 units in 2016, and 55 per cent above the 10-year average. An estimated 19,700 multi-family starts are expected this year, and a further 19,000 units forecast in 2018. All this construction activity has created a record level of homes under construction, with about 35,000 multi-family units now in development.

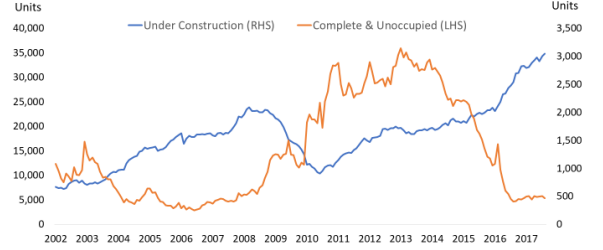
Using data on the average time between housing starts and completions from Canada Mortgage and Housing Corporation (CMHC), we can estimate when the surge in multi-family construction will turn into ready-to-occupy homes. According CMHC, it takes more than 20 months for an apartment project to proceed from start to completion in Metro Vancouver. This varies from a high of 35.7 months in

Housing Starts Vancouver CMA



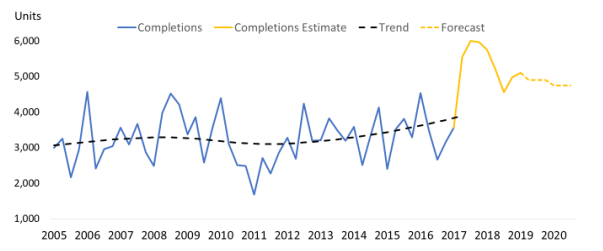
Source: CMHC, BCREA Economics

New Multi-Family Supply Vancouver CMA



Source: CMHC, BCREA Economics

Multi-Family Completions Vancouver CMA



Source: CMHC, BCREA Economics Calculations



Downtown Vancouver to a low of 12.5 months in Surrey. (Keep in mind that CMHC records a multi-family project as a housing start only after the underground parking structure is complete, so the time between issuing a building permit and project completion is much longer.)

According to our estimates, multi-family home completions will increase 50 per cent above trend levels, rising from less than 4,000 units per quarter in 2016 to approximately 6,000 units through the third quarter of 2018.

While most of these units are already pre-sold, these multi-family completions can add to the overall supply of housing through several other channels:

- Households in Metro Vancouver transferring from the rental market into home ownership free up rental supply.
- Households in Metro Vancouver moving from existing ownership bolster supply when they put their homes up for sale.
- Investors intending to earn rental income create additional rental supply.

The aggregate increase in the housing stock can also help dilute the impact of migrants, non-income seeking investors and first-time buyers/renters on the cost of housing.

This surge in multi-family completions isn't the only solution for housing affordability in Metro Vancouver. However, a marked increase in aggregate supply can move the needle toward market balance and help slow the pace of housing price/rent growth in the region.

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Vancouver — Average Length of Construction (in months) by Dwelling Type by Zone					
2016					
	Single	Semi-Detached	Row	Apartment	All
Downtown	**	41	**	35.7	35.8
South Granville/Oak	15.8	**	16	24.8	24.3
Kitsilano/Point Grey	15.1	**	**	14.2	14.8
Westside/Kerrisdale	16.2	16	11.4	21.6	17.9
Marpole	14.7	9	**	19.5	15.5
Mount Pleasant/ Renfrew Heights	11.2	10.8	15.2	14	12.5
East Hastings	9.6	13.7	19	18.7	17.1
Southeast Vancouver	10.3	9.6	22.6	26.5	22.5
Central Park/ Metrotown	12.8	9.5	**	17.3	15.2
Southeast Burnaby	11.9	8.7	9.9	16.1	14.1
North Burnaby	12.2	9.6	28	21.9	19.7
New Westminster	10.4	9	17	18	17.2
North Vancouver CY	9.6	15	**	15.6	14.8
North Vancouver DM	14.3	**	15.4	14.4	14.6
West Vancouver	19.5	**	13	15.5	19.1
Richmond	11.8	12.1	10.3	21	18.6
Delta	9.1	9	10.4	14.2	12
Surrey	10.2	10.4	9.4	12.5	10.7
White Rock	13.5	10	**	14	13.7
Langley City and Langley DM	8.4	5.6	7.9	14.3	10.3
Tri-Cities	9.2	9.8	10.1	20.9	15.9
Maple Ridge/Pitt Meadows	8.5	11.8	12.6	14.7	10.7
Vancouver CMA	11.1	10.6	10.4	20.6	16.5
Notes					
CMA, CA and CSD definitions are based on 2011 Census Geography Definitions					
Source CMHC Starts and Completions Survey					