

An Economics Perspective on Strata: The Shift from Singles to Multis



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A myriad of factors impact housing demand, from geography and land scarcity, to population growth and economic conditions. These are the driving factors in the current trend of shifting away from single-detached housing toward multi-family housing units, especially in the urban areas of Vancouver, Victoria and Kelowna.

Vancouver

Vancouver is Canada's third largest city, with the metropolitan area home to over 2.4 million people spread across 950,000 households. The geographical limitations of being fenced in by the North Shore Mountains, the Strait of Georgia, the border with the United States and the Agricultural Land Reserve in the Fraser Valley, have necessitated a shift in the housing stock toward higher density projects. Indeed, single-detached homes are becoming increasingly scarce.

Between 1991 and 2011, the total stock of single-detached homes in the Vancouver CMA actually declined by 1,000 units, as existing single-detached homes were either replaced by higher density condos or converted to multi-family units via the rapid expansion of rental suites. Most significantly, the share of single-detached homes declined from 50 per

cent in 1991 to only one-third by 2011. These land intensive single-detached units are projected to decline even further, both in proportion and absolute numbers, to just 10 per cent by 2040.

Victoria

Across the water from Vancouver, Victoria is also experiencing an increase in population density, with a population 24 per cent larger than its current size. As a result, between 2016 and 2036, approximately 2,100 additional units are projected to be added to the housing stock on average each year. By 2041, multi-family housing units are projected to be three out of every four, and the amount of new additions of single-detached homes is projected to decline to less than 500 units by 2041.

Contrast that with a Victoria housing stock in which new single-family units accounted for 50 per cent of all new home construction for most of the early part of the 2000s, and the dramatic shift in the city's housing landscape comes into focus.

Kelowna

The story is similar in Kelowna, which has emerged as one of the pre-eminent retirement and tourism destinations in Canada. A boom in apartment

construction through the early 2000s pushed the share of condos and other multiple family units higher in the overall housing stock.

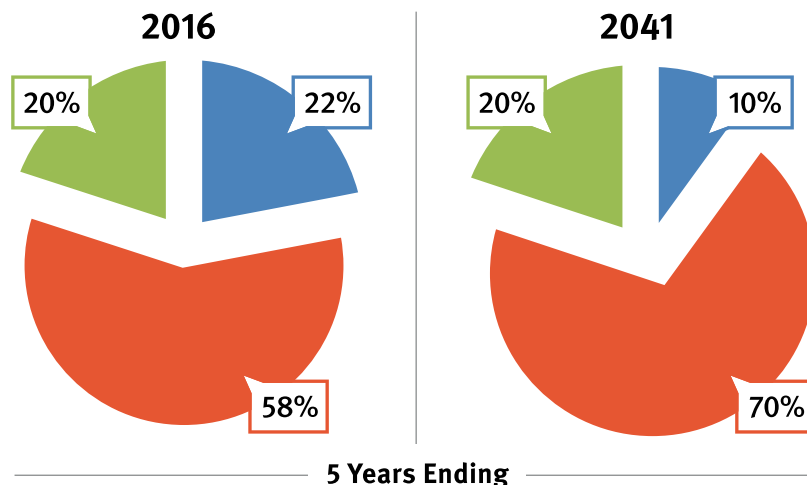
After a prolonged slide following the 2008/09 recession, new home construction has picked up once again. But, similar to BC's other major urban centres, the relative proportion of single-detached homes in the city's housing stock is declining, while the shift toward multiple units is expected to accelerate, contributing to an increasing relative scarcity of single-family homes.

Overall, as increasing population density continues to cause a seismic shift in the type of homes that are being built in urban areas, a decreasing emphasis on single-family homes, in favour of land-rationing apartment and attached residential construction, can be expected to continue into the future.

Housing Stock Growth

Proportion of Additional Housing Units

Vancouver CMA



Source: Statistics Canada, BC Stats, CMHC, BCREA Economics Projections

5 Years Ending