

OPINION

In Vancouver, it's now cheaper to own than to rent



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Houses on a hillside in Burnaby, B.C., on April 17, 2021.

DARRYL DYCK/THE CANADIAN PRESS

Vancouver now has the distinction of being the only major city in Canada where it is cheaper to own than rent.

Median shelter cost for a property owner is \$110 less than the median shelter cost of a renter in Vancouver, as of the 2021 census. That's a flip from the 2016 census, when the reverse was true, and the median shelter cost for a renter was \$100 less than the monthly costs of owning.

"Traditionally, renting has always been cheaper than owning, but not anymore for many, according to this measure," says Andy Yan, urban planner, adjunct professor and housing analyst.

"This is another kind of flip for the city of Vancouver, the one where median monthly shelter costs for renters have become so expensive that they've surpassed the monthly costs of owners. And in terms of policy, it's a total flop for renters. And the hitch for owners, of course, is that you need a sizable down payment in one of the most expensive cities in North America."

This may not come as a surprise for the 36 per cent of the population in the region that rents (in Vancouver it's closer to 53 per cent). They already know that housing costs and incomes are disconnected, and the search for affordable housing is often a battle.

However, it underscores the new reality that renting while saving to buy is nearly impossible for average income earners. Instead, Vancouver residents must pay a premium rent and somehow cobble together the down payment required to own. Once they own, they must pay down their mortgages in order to reduce their monthly shelter costs. It's not that owning became cheaper, says Prof. Yan. Instead, renting became more expensive between the census years 2016 to 2021.

Owners saw a 12-per-cent increase from \$1,306 to \$1,460 a month, while renters saw an increase of 30 per cent, from \$1,206 to \$1,507 a month. Those amounts include all costs of shelter, including expenses such as taxes, utilities and maintenance fees.

Out of a list of 15 of the cities with populations more than 50,000 in Canada where the flip has occurred, seven of them are in B.C. The B.C. cities in which renting is now more costly than owning include Saanich, Nanaimo, Kelowna, the district of North Vancouver, Vancouver, Burnaby, and Richmond. In Nanaimo, the gap is marginal, with renters paying \$10 more than owners. But the largest gap in Canada is in Richmond, where renters pay \$300 more.

And Montreal is faring far better than the other cities. In that city, there's a healthy \$490 gap in favour of renters.

Housing analyst Steve Pomeroy says the ownership experience will differ between age groups. Older homeowners will likely have smaller mortgages, if any at all, while younger homeowners will be spending much more. That will impact shelter costs for homeowners.

Prof. Yan concurs. He said the data tell more about the rising costs for renters in B.C. than anything else.

“While factors like low interest rates and funding sources like the bank of mom and dad, as well as foreign wealth, have helped some young homeowners, renters of all ages in the city of Vancouver have faced a perennially limited stock of rentals,” Prof. Yan said. “There's been an erosion of the rental housing base via short-term rental like Airbnb, and market development of new rental that is built for high-income renters.”

Legal advocate Stephanie Smith, who works on the Downtown Eastside with low-income residents, says that little of even the non-market housing is affordable to many renters. Ms. Smith is running for Vancouver council as a Green Party candidate.

“If we keep tearing down affordable apartments and replacing them with unaffordable ones, we create housing choice for higher-income people and housing insecurity and displacement for those with lower incomes,” Ms. Smith said.



A single family home for sale in Vancouver on July 6, 2022.

JENNIFER GAUTHIER/THE GLOBE AND MAIL

Prof. Pomeroy points out that there are a relatively high number of residents in core housing need in Vancouver and the region, the majority renters. Core housing need is defined as paying more than 30 per cent of one's household income on shelter cost, or living in inadequate housing. In Greater Vancouver, 99,160 renters live in core housing need, with 39,655 of those renters living in Vancouver city, Prof. Pomeroy wrote in an e-mail. Prof. Pomeroy is an industry professor and executive advisor of McMaster University's Canadian Housing Evidence Collaborative.

That compares to 66,940 homeowners in Greater Vancouver living in core housing need and 14,560 homeowners in Vancouver city living in need.

Prof. Pomeroy updated his own census findings with a new report <https://chec-curl.ca/data-research/> he published earlier this month. He found a consistent erosion of affordable market-rate rental stock in the last decade, albeit at a slightly slower pace in the last five years. Vancouver lost 47,055 units that were renting for less than \$1,000 in the census period from 2016 to 2021. That's a loss of 16 per cent. Meanwhile, during that same period,

Vancouver saw a gain of more than 100,000 units of rental housing units that are renting for \$1,500 or more. The majority of those units are renting for more than \$2,000. The city is seeing an increase of pricier apartments coming onto the market, while losing a major share of its low-to-moderate income housing.

The loss of affordable rental units isn't due only to demolition of older apartment buildings. The main cause is when a unit becomes vacant and the landlord increases the rent. B.C. joins Quebec and Ontario for having the greatest losses of affordable apartments. Prof. Pomeroy factored in rents under \$999 because Vancouver is a higher rent city. For example, while Vancouver lost 12,825 units renting below \$750 between 2011 and 2016, it lost nearly three times as many apartments renting for \$750 to \$999. That's 34,230 units lost.

It's a nation-wide trend and federal government policy is not addressing the erosion, not by a long shot. The annual rate of loss nationally is 46,000, which is more than double the number of new units that are being added each year with funding from the National Housing Strategy.

“Without a response to address this rate of erosion it will be impossible for the substantial funding under the current array of NHS initiatives to have any impact in expanding the net stock of low rent units,” Prof. Pomeroy writes in his updated report. “In fact, the rate of erosion suggests that renter affordability issues will worsen, despite NHS investments.”

The cost of renting is high because of the cost of land, says developer Sasha Faris, president of First Track Development. Mr. Faris is a young developer who has a 72-unit mixed-use residential development underway near Nanaimo and Broadway. He purchased seven single-family houses on a city block to build the condo and townhome complex, with mostly two and three bedroom units, so he's adding considerable density for families to a former low-density street. While they sit empty awaiting permits, he is offering them to Ukrainian refugees who have struggled to find affordable housing in Vancouver.

However, he doesn't believe that more supply will lead to a drop in prices. Shelter costs, he says, won't come down because the demand is insatiable. He finds it amusing when politicians make promises to reduce prices by adding supply.

“If you were to allow all the units in the pipeline right now by every single developer, and let all those units come onto the market, [according to] supply and demand, that would not bring prices down. That's a fallacy. There is so much demand, such an influx of immigration

coming into Canada, it will never keep up with the demand,” “With the typical condominiums that we are building, there will continue to be a population to service that.”

He'd also like to build rental, but he's looking for a partner to do so. Delivering rental units that are affordable to low and moderate incomes is a tough one because of land costs, development costs, construction, the increasing costs that go into it. He doesn't have the advantage of the institutional investor development company, with significant reserves and the ability to hold a property for years. He's seeking partnerships with property owners who purchased a property several decades ago and might want to leave a legacy for the community.

“You can't build something that costs X and charge a subsidized rent for it. The thing is, with most people being private developers in Vancouver, we aren't privy to institutions that have an immense amount of capital,” Mr. Faris said. “For the typical merchant developer that wants to buy, bid and sell, the horizons are typically three to five years, whereas in this case, [for rental] to make the numbers make sense, you are looking at 10 to 15 years, and a lot of us aren't in a position to hold it.

“And I'm one of the younger developers in town, so my forecasting might be a little better than the guy in his 60s who can't look 30 years down the road. But there is the problem.”

Mr. Faris said he has an obvious bias, as a developer of condos, but he said that buying makes more sense for people who can get the down payment. The inter-generational transfer of wealth will continue to play a role, helping grown children get into the market.

“If you have ability to get a down payment to buy, you are in control of your own destiny. But that's more like a social decision.

“The bank of mom and dad are going to be prevalent for the next generation, and probably onto the next one.”