

KELLY LAPOINTE

staff writer

Housing affordability has largely been forgotten in Ontario, says one industry leader.

“We want accessible housing, we want it to be more energy-efficient, we want it to be more environmentally-friendly. That’s all very laudable but it all has costs,” said Richard Lyall, President of the [Residential Construction Council of Ontario](#) (RESCON).

A recently released report by noted housing economist Will Dunning, entitled [Restricted Land Supply and Rising Housing Costs in the GTA](#), concluded that government-imposed costs and constraints on land supply have caused the rise in prices of new housing and the level of economic risk. A higher level of house prices means that in the event of a future economic slowdown, there is greater potential for a damaging downturn in the housing market. The report was commissioned by RESCON.

Lyall said they’ve already received some commitment from former Minister of Municipal Affairs and Housing Rick Bartolucci and he expects the new minister, Kathleen Wynne, to adopt that commitment and recognize the problem.

“They recognize that we do have some real challenges here and what we said it that we need to roll back over a two-year period government-imposed costs by about 10 per cent,” he explained.

Lyall said recommendations to government include establishing to evaluate the situation and how it can be made better; and on an annualized basis, look at the impact on all government-imposed costs and constraints on land supply housing and affordability.

■ [Residential Construction Council of Central Ontario aims to trim government-imposed construction costs](#)

During 2000-2010, the average resale price in the Greater Toronto Area rose 78 per cent, or 5.9 per cent per year and lot prices rose 141 per cent or 9.2 per cent per year. These numbers are well in excess of comparative measures, such as inflation, wages, or rents, said the report.

Initiatives like Ontario Smart Growth and the Greenbelt have made land prices skyrocket, he said.

The Dunning report makes three main points: Low interest rates have created “affordability space” in the housing market. But, consumers are not receiving the full benefits of that affordability space, as governments have sharply raised the costs they impose on new housing.

In addition, with land supply increasingly constrained, land prices have also increased very sharply; In consequence, the rise in house prices has been much greater than it needs to be; and with interest rates still at very low levels, prices may very well rise further unless deliberate and effective actions are taken to control government-imposed costs and improve land supply.

“It’s not the builders making out like bandits, it’s all these additional costs that are generated by way of government policy,” said Lyall.

He explained that these rising costs are not intentional by government, but more so there are so many

players involved that there is no mechanism to bring everything together to really examine the situation. Lyall said it's time that housing affordability is put back in the spotlight.

The report said prices could continue for a while longer.

"Housing prices in general rising up have created a bit of a wealth effect because there's more equity in your house, that's not necessarily harmful...if you take these things out...increases in land costs, increases in development charges, increases in housing costs relative to incomes, it's unsustainable," he said. "It's going to come to an end at some point in time."

Lyall said one of the reasons why Ontario hasn't had the job growth and recovery it probably should have was partially because of the housing situation. Other factors include transportation and infrastructure.

There are many RESCON members who say they can't build anymore, said Lyall, because of the cost of purchasing land, paying the charges, putting a house on it and actually bringing it to market.

"[It's] very risky because there's actually not a lot of margin there because of the input cost factors, which aren't apparent to people."