



RESCON®
RESIDENTIAL CONSTRUCTION
COUNCIL OF ONTARIO

October 17, 2011

To: All RESCON Members

Government Housing Policies are Adding to Risks for the Economy

Construction Council calls for changes to land supply restrictions and government-imposed costs to ease economic risk

TORONTO, Oct. 17, 2011 /CNW/ - A report by noted housing economist Will Dunning, entitled *Restricted Land Supply and Rising Housing Costs in the GTA*, concludes that government-imposed costs and constraints on land supply have caused both the prices of new housing and the level of economic risk to rise. 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 and released today by RESCON. "It points to the very real need for government policy makers at all levels to pay more attention to the affordability of housing and the consumer impact of housing-related policies and associated taxes, charges, fees and red tape" said Richard Lyall, President, RESCON. "We are on an unsustainable track. Government and industry cannot be complacent; steps must be taken to ensure that average families can continue to be able to fulfill their dreams of new home ownership."

To download a copy of the report, go to <http://www.rescon.ws>

During 2000-2010, the average resale price in the Greater Toronto Area rose 78%, or 5.9% per year and lot prices 141% or 9.2% per year. These numbers are well in excess of comparative measures, such as inflation, wages, or rents. The Dunning report makes three main points:

- First, 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.
- Second, in consequence, the rise in house prices has been much greater than it needs to be; and
- Third, 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.

RESCON believes that affordable housing is a fundamental prerequisite to the region's continued economic development, private sector job creation and social cohesion. "We are seeking a commitment by the province and municipalities to reduce government-imposed costs for housing by a minimum of

10% within two years, monitor trends and streamline the regulatory system," said Mr. Lyall. "Housing must be kept in the reach of working families."

While the high-rise housing market has been booming in the GTA, there remain big gaps in supply (e.g. for condo units able to accommodate families) and prices are escalating. Toronto-area low rise housing faces the worst of all worlds: reduced supply in the market means lower production and higher prices, both largely been driven by government-imposed costs and land restrictions).

Reports from a number of different organizations also raised concerns about the social and economic impacts of rising housing prices in the GTA. For example, the Toronto Community Foundation's recent Vital Signs® in 2011 identified housing prices as a significant barrier to access for many families. A 2011 Metrolinx-funded report noted that rising government-imposed costs have broad economic and social impacts and the potential to undermine the goals of transportation investments. This will impact transit needed to support higher-density housing development.

"We agree with the Dunning report's conclusions that meaningful policy changes are urgently needed, to benefit consumers and to reduce risks for the economy," concluded Mr. Lyall.

RESCON

RESCON is a builders' association focused on removing barriers in new construction, eliminating unnecessary costs and promoting innovation in materials and methods. It is committed to maintaining leadership in quality, safety and competitiveness. Builders play a unique role in society in that they produce the single most important thing people buy - a home.

RESCON fosters an industry that consumers recognize as second to none. Our members are based in Ontario, a region that generates approximately one third of all the housing in Canada. The 2010 value of new housing in Ontario was approximately \$20 billion creating 175,000 jobs, \$9 billion in wages, \$4 billion in taxes and \$1.5 billion in CPP, EI and WSIB premiums. New housing is a weathervane for the Province's economic health. A healthy balanced market is a prerequisite for sustained economic development and prosperity.

For further information:

RESCON at 905-760-7777

<http://www.rescon.ws>