



Municipal Housing Supply and Benchmarking Study

Canadian Home Builders' Association of British Columbia

October 2022





Canadian Home Builders' Association of British Columbia Municipal Supply and Benchmarking Study



Prepared by:

Altus Group Economic Consulting

33 Yonge Street Toronto Ontario M5E 1G4

Phone: (416) 641-9500 Fax: (416) 641-9501

economics@altusgroup.com

altusgroup.com

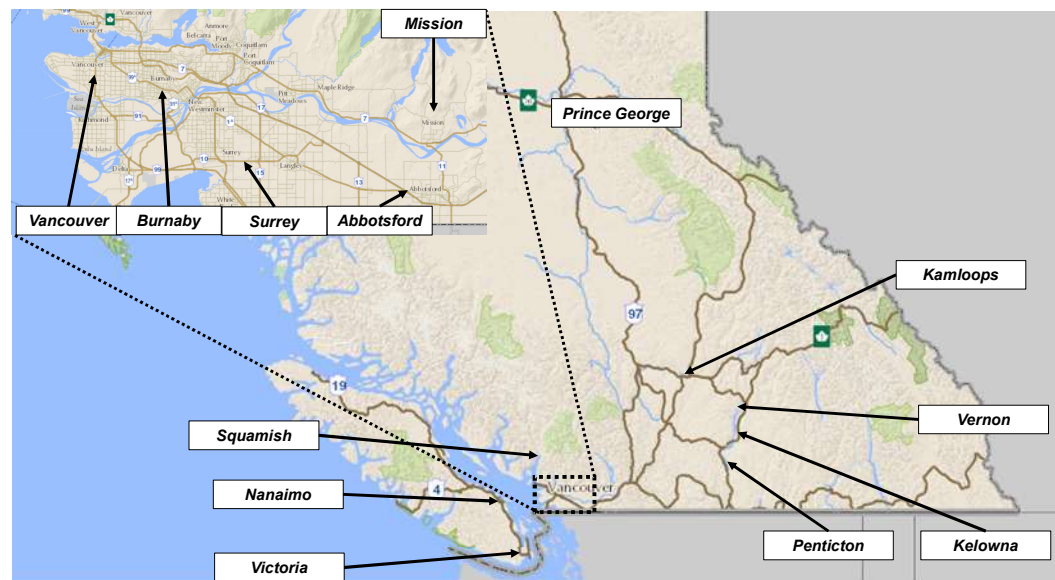
October 5, 2022

EXECUTIVE SUMMARY

Altus Group Economic Consulting was retained by The Canadian Home Builders' Association of British Columbia (CHBA BC) to study evidence of housing supply shortfalls in British Columbia (B.C.) and the economic consequence of those shortfalls, both past (2011-2021) and future (2021-2051). The study looks at housing demand and supply trends in British Columbia and 13 municipalities.

Figure ES-1

Location of 13 Study Municipalities



Source: iMapBC

BACKGROUND

This study was inspired by recent research done by Altus Group for the Canadian Home Builders' Association in September 2020.

In September 2020, the Canadian Home Builders' Association (CHBA) released the first edition of the National Municipal Benchmarking Study ("2020 CHBA Study"), comparing municipalities across Canada and the Greater Toronto Area on metrics such as municipal charges, housing approval timelines, and the utilization of tools and features to make the planning and development application process more efficient.

The report found that the approval timelines and government charges within the B.C. municipalities studied were among the slowest and highest respectively in Canada, with the exception of municipalities in the Greater Toronto Area in some cases.

Three of the municipalities from the 2020 CHBA Study overlap with the 13 municipalities studied in this report, including Metro Vancouver, Surrey and Burnaby. A second edition of the CHBA study is underway and will be made available soon.

These results have likely contributed to high home prices in the province. B.C. is home to the most expensive housing in Canada. The average household would have to spend 58% of its income to meet mortgage payments alone on the purchase of an average priced home.

DEMOGRAPHIC AND NEW HOMEBUILDING OVERVIEW

This study shows that the province experienced a significant boost to population growth from both international immigration and an inflow of people from other parts of the country over the last five years.

There were more than 70,000 people added to the population every year on average between 2016 and 2021, up from 52,000 in the prior 15 years. Half of this growth occurred in the population aged 25 to 44, an age group that has traditionally been defined as first-time homebuyers.

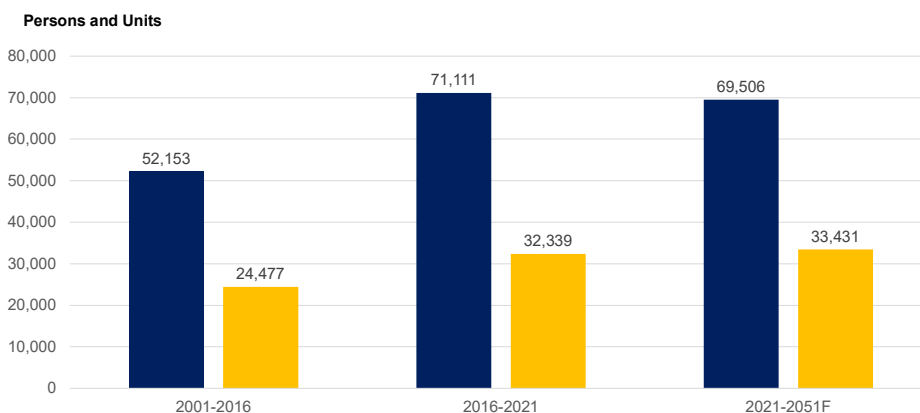
As housing has become more expensive, Metro Vancouver, Surrey and Burnaby have been losing resident population, on net, to the other municipalities studied in this report. Squamish was the fastest growing municipality of those studied, growing by nearly 39% over the 10-year period ending in 2021. Kelowna was the second fastest growing municipality with the population growing by 22% over this period.

HOUSING DEMAND AND SUPPLY

Along with population growth there was an increase in household creation (housing demand). The number of new households increased by 33,000 per year between 2016 and 2021, up from 24,000 in the prior 15 years.

Figure ES-2

Change in Population and Households, British Columbia Average Annual Change, 2001-2051



Source: Altus Group, Statistics Canada

Given past preferences for housing types, an aging population in British Columbia suggests that over 60% of new households would want ground-oriented housing (single, semi-detached or townhouses). As households age, preferences for ground-related housing increases. 60% of households headed by someone 35 years or younger live in an apartment, while only 40% of households headed by someone 35 years and older live in apartments.

New housing supply has increased but struggled to keep pace with rapid population growth. Over 60% of new housing built between 2012 and 2021 have been multi-family units.

EVIDENCE THAT HOUSEHOLD GROWTH WAS DAMPENED

There is evidence that household growth was dampened by high housing costs over the last decade:

- Municipalities studied in this report are estimated to have missed their household growth projections by a combined 3,400 between 2011 and 2021;
- Homeownership rates dipped between 2006 and 2021, particularly for those aged 25 to 44 years old;
- The share of multiple families and persons living together (room mating) has increased over this time;
- The number of young adults (aged 25 and older) still living with their parents increased between 2006 and 2021; and

- The rental vacancy rate for all municipalities indicate markets that are in short supply. Combined rental markets would require some 3,200 new units to become more balanced.

All the young adults living at home, rooming up with relatives or friends and living in one house with multiple families are families that could have created their own household.

The term “supressed households” is often used to define young people and families that are being held back from starting a household because of affordability issues.

Our measure of “supressed households” calculates the number of new households that would have been created in B.C. if affordability and living arrangements were at 2001 levels, relative to the number of actual households created. Forecasted suppressed households assumes that the pace of construction remains at 2021 levels.

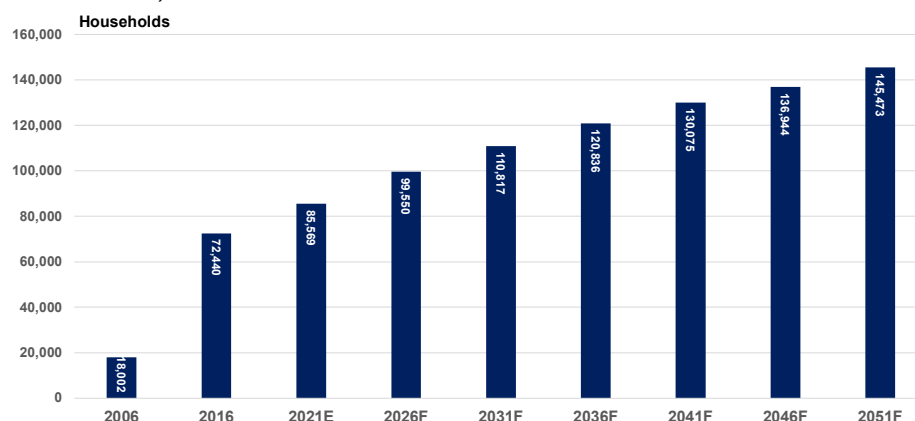
The analysis in this report suggest that If housing was more affordable, there would have been almost 87,000 more households in 2021 than was realized.

Absent of an acceleration in homebuilding, growth in new households over the next 30 years will be limited to roughly 33,000 per year. There could be an additional 145,000 lost households by 2051.

Figure ES-3

Estimate of Pent-up Demand For Housing (Suppressed Households)

British Columbia, 2006-2051F



Source: Altus Group based on Statistics Canada data

DEVELOPMENT APPLICATION TIMELINES

To assess the ability of B.C. municipalities to both overcome the estimated historic shortfall in housing supply and avoid the escalation of the shortfall in the next 30 years, Altus Group endeavoured to measure typical approval timelines for development applications in various municipalities across British Columbia.

In total, the sample of 650 individual approvals from the 13 municipalities studied includes 242 rezoning approvals, 274 development permit issuances, and 87 subdivision approvals. Our analysis excluded non-residential applications, and residential applications with fewer than three (3) units.

Based on the data, it is found that the average approval timelines for municipal approval of development applications is 13-14 months for rezoning and development permits, and over 20 months for subdivision. Penticton, Kamloops and Kelowna demonstrated the fastest timelines.

Figure ES-4

Type of Application	Average Approval Timeline (Among 13 Study Municipalities)
Rezoning	14.2 months
Development Permit	13.6 months
Subdivision	20.6 months

This data is based on publicly available information. However, this report states reasons why these findings might under and over-estimate development application timelines, many of them due to significant differences and nuances in reporting standards from one studied B.C. municipality to the next. To improve transparency and avoid some of the perceived overestimates or underestimates of approval timelines, it is recommended that B.C. municipalities be required to produce an annual standardized report on development approval timelines, with as much specific detail as possible.

ECONOMIC IMPACT

Dampened household growth is a lost economic opportunity. Additional households have positive impacts on the economy through increased construction activity, household spending and government revenues through development charges, property taxes and provincial sales tax.

The economic costs of suppressed households in B.C. is estimated to have been \$33 billion between 2011 and 2021 in lost nominal gross domestic product (GDP), and will be \$196 billion between 2021 and 2051, which would also contribute to thousands of jobs.

Suppressed households represent a loss in provincial and municipal government revenues of \$38 billion between 2006 and 2051. The loss comes from \$4.3 billion in lost one-time revenues such as development charges and land transfer taxes and \$34 billion in annual property taxes and provincial sales taxes.

Figure ES-5

Total Lost Economic Activity from Suppressed Households, Economic Impacts			
	<u>2011-2021</u>	<u>2021-2051</u>	<u>Total</u>
	<i>Dollars, Millions</i>		
Construction Activity	10,522	23,900	34,423
Household Spending	21,283	151,819	173,101
Gross Domestic Product	33,007	195,895	228,902
	<i>Years, Actual</i>		
Person-Years of Employment	768,056	3,605,464	4,373,520

Source: Canada data

Figure ES-6

Total Lost Government Revenues from Suppressed Households, 2006-2051				
	<u>Suppressed Households by Period</u>			<u>Total</u>
	<u>2006-2016</u>	<u>2016-2021</u>	<u>2021-2051F</u>	<u>2006-2051</u>
	<i>Units</i>			
Lost Units/Households	54,438	13,678	59,355	127,471
	<i>Dollars, Millions</i>			
Total Lost DCC Revenues	663	242	1,235	2,140
Total Lost Land Transfer Tax Reven	584	271	1,296	2,151
Total Lost One-Time Revenues	1,247	513	2,531	4,291
Total Cumulative Lost Property Tax Revenues to 2051				19,934
Total Cumulative Lost PST Revenues to 2051				13,672
Total Lost Annual Revenues				33,606

CONCLUSION

B.C. experienced significant shifts in demographics and housing trends in the last decade. The province has become very attractive to Canadians and foreign residents, leading to a pick-up in population growth that is expected to continue through the next three decades.

Housing supply has not kept pace, dampening both potential population and household growth for the province and the municipalities studied in this report, resulting in significant losses in economic activity and government revenues.

Development application timelines are an opportunity for addressing housing supply shortages. Shorter timelines can help improve the responsiveness of housing supply to demand. In addition, having a transparent, reliable and standardized source for approval timelines data (both in terms of approval timelines, but also quantity of housing approved) can ensure that supply shortages relative to housing demand can be anticipated and acted upon as early as possible.

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1 INTRODUCTION

1.1 BACKGROUND & SCOPE OF STUDY

Altus Group Economic Consulting was retained by The Canadian Home Builders' Association of British Columbia (CHBA BC) to study evidence of housing supply shortfalls in British Columbia (B.C.) and the economic consequence of those shortfalls, both past (2011-2021) and future (2021-2051).

The study looks at several factors impacting housing affordability in B.C., such as municipal approval processes; estimates of historic housing demand relative to annual housing production; and estimates of the overall economic benefits associated with new housing construction, or conversely the lost economic benefits of housing that is in demand but not built.

The study looks at housing supply trends for the Province and 13 municipalities within British Columbia.

1.2 2020 CHBA NATIONAL MUNICIPAL BENCHMARKING STUDY

This study was inspired by recent research done by Altus Group for the Canadian Home Builders' Association.

In September 2020, the Canadian Home Builders' Association (CHBA) released the first edition of the National Municipal Benchmarking Study ("2020 CHBA Study"), comparing municipalities across Canada and the Greater Toronto Area on metrics such as municipal charges, housing approval timelines, and the utilization of tools and features to make the planning and development application process more efficient.

This report found that the approval timelines and government charges within the B.C. municipalities studied were among the slowest and highest, respectively, in Canada, with the exception of municipalities in the Greater Toronto Area in some cases.

Three of the municipalities from the 2020 CHBA Study overlap with the 13 municipalities studied in this report – Vancouver, Surrey and Burnaby. A second edition of the CHBA study is underway and will be made available soon.

1.3 HOUSING ISSUES IN B.C.

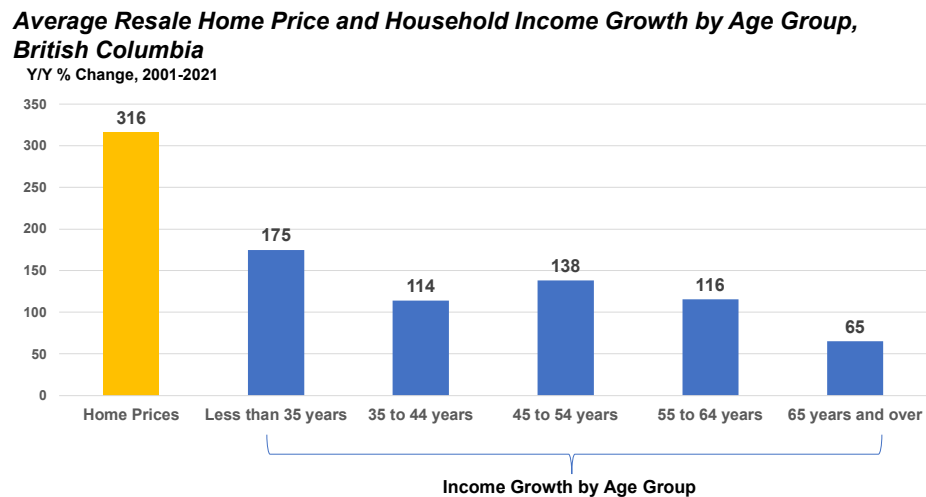
1.3.1 Home Prices

The context for this report, and the prior national report, has been the escalation in home prices and deterioration in affordability.

The biggest sign of a housing shortage in British Columbia has been a sharp and continuous rise in the average price of a home. Home prices tripled over the last 20 years. This pace of growth has exceeded average household income, making it ever so difficult to enter the homeownership market.

Figure 1 shows that home prices have risen twice as fast as household income for first-time homebuyers (those aged 25 to 44 years old).

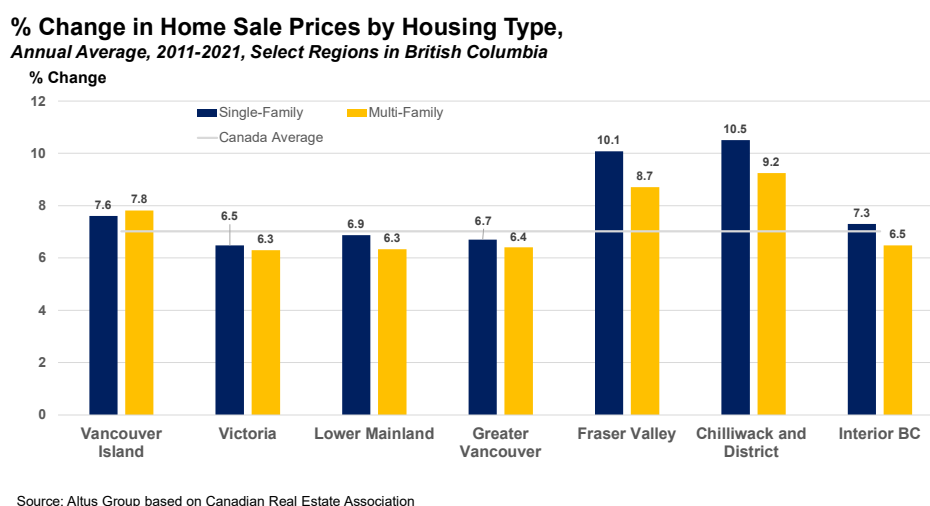
Figure 1



Source: Altus Group, Canadian Real Estate Association, Statistics Canada

The average home prices has risen broadly across the municipalities studied in this report. Four of the census metropolitan areas that house the municipalities studied in this report have experienced faster average annual prices increases than the rest of Canada (Figure 2), with price pressures being broadly experienced across single-family and multi-family homes.

Figure 2



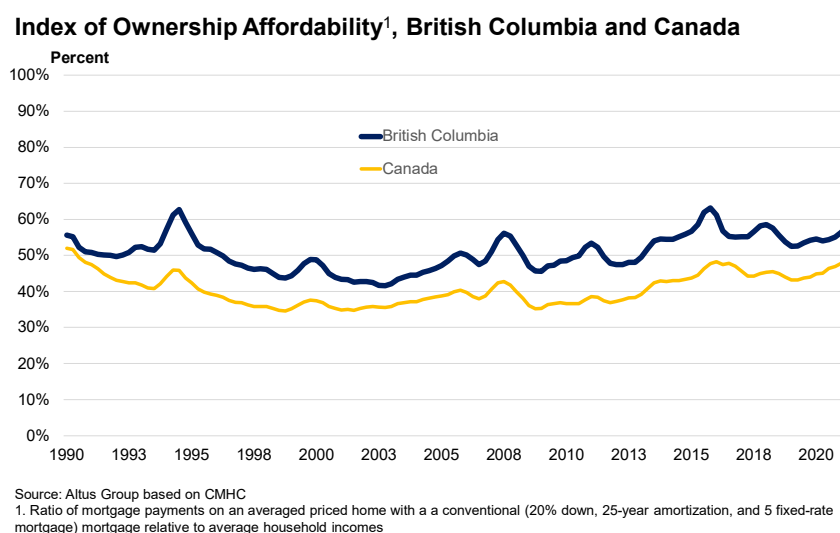
1.3.2 Housing Affordability

Housing is more expensive to attain even when accounting for the drop in interest rates that had occurred over this time period. Figure 3 charts an index of homeownership affordability. It looks at percent of monthly income an average-income earning household would have to devote to mortgage payments, assuming they purchased an average priced home and took out a five-year fixed mortgage.

This ratio has increased steadily since bottoming in 2003. An average household in B.C. would have to devote 58% to mortgage payments when purchasing an average priced home in 2021. This ratio has likely gone up with higher mortgage interest rates since last being calculated for this report.

Note, this ratio is significantly higher than the national average. The second most expensive market in Canada is Ontario, where households have to spend 57% of their income on mortgage payments. However, the third most expensive market is Quebec, where households must spend 38% of their household income to purchase an existing home. In other words, there is a big disparity between British Columbia and Ontario and the rest of Canada when it comes to housing affordability.

Figure 3



1.3.3 Government Charges

Findings from the 2020 CHBA Study and the preliminary findings from the second edition find that municipal charges and fees on new homes in Vancouver, Burnaby and Surrey are among the highest in Canada. The charges for high-rise development in Vancouver are the highest among the 21 municipalities studied in the 2022 CHBA study at \$157 per square foot (psf). This is roughly 3-times the national average (\$52 psf). The charges for Vancouver, Surrey and Burnaby for low-rise developments (\$13-38 psf) are roughly in-line with the national average (\$28 psf) for that type of application.

Figure 4

2022 CHBA Study – Municipal Charges per Square Foot		
Municipality	Low-Rise Development	High-Rise Development
Vancouver	\$28 per square foot	\$157 per square foot
Surrey	\$38 psf	\$61 psf
Burnaby	\$13 psf	\$24 psf

Since the 2020 Study, the charges in the three overlapping municipalities have all increased substantially for both low-rise and high-rise development scenarios utilized in both reports.

Figure 5

2022 CHBA Study – Increase in Municipal Charges vs. 2020 Study		
Municipality	Low-Rise Development	High-Rise Development
Vancouver	+29%	+25%
Surrey	+62%	+37%
Burnaby	+43%	+54%

The most significant charges in each municipality are Development Cost Charges (DCCs), as well as Community Amenity Contributions (CACs), particularly so in the City of Vancouver for high-rise development.

1.3.4 Housing Studies

There have been several recent studies to note about the supply and demand imbalance in British Columbia and possible causes.

1.3.4.1 Canada-British Columbia Expert Panel Report - Opening Doors: Unlocking Housing Supply for Affordability

Last year, the B.C. and Federal government put together an expert panel on housing supply. The panel released a report on housing supply issues in the Province and provided key policy recommendations.¹

The report found that there has been an upward trajectory in new homes built in most of B.C.'s major Census Metropolitan Areas (CMAs), including Vancouver, Victoria, and Kelowna. These regions have experienced record construction activity in the last decade. The exception was Abbotsford-Mission where new home construction has been stable since the early 1990s.

This higher pace of construction activity still has not been enough to keep up with rapid population growth and incomes. Home price and rent levels are a good signal that the market is in need of more supply. In economic principles, prices are signals of where supply and demand are interacting and usually reflect tight homeownership markets and low rental vacancy rates.

The forecast suggests that housing demand would remain steady through the reports forecast period going out to 2030 and the result would be a further deterioration in housing affordability, absent a shift in government policy that

¹ Opening Doors: Unlocking Housing Supply for Affordability, June 2021

would allow for more housing supply to be built. The report recommends the following to expand housing supply in B.C.:

- A review of the land-use planning system which can be overly time consuming and complex, including a zoning by-law review and a more efficient development application process. It can take years and thousands of dollars for developments to move through the approval process and many don't even make it through;
- Creating a more transparent model for development cost charges (DCCs), density bonuses and community amenity contributions (CACs). In particular, the panel would like to see these fees tied to specific metrics; and
- Creating a comprehensive, comparable dataset of development approval timelines, by local government or by project, and their evolution over time. The panel notes that this significant data gap presents important challenges to fully understanding housing supply in British Columbia.

1.3.4.2 CMHC – Housing Shortages in Canada – Solving the Affordability Crisis

The Canadian Mortgage and Housing Corporation (CMHC) also released a major study this year that highlighted the housing supply shortfalls across Canada, titled *Canada's Housing Shortages: Estimating What is Needed to Solve Canada's Housing Affordability Crisis by 2030*.²

The report measures how much housing supply would be needed to restore housing affordability to a more acceptable level. Housing affordability is measured as the share of income an average household would have to devote to ownership costs on an average priced home.

The study found that new homebuilding would have to increase by 3.5 million homes between 2021 and 2030 in Canada. B.C. would require 570,000 incremental new homes built over this time period.

1.4 APPROACH

1.4.1 Topics Covered

This report looks at several areas that have direct links to issues related to housing supply and/or housing affordability, including factors that impact the timeliness in which developers, homebuilders and landowners are able to bring new housing supply onto the market, and the costs of creating new housing.

² CMHC, June 2022 weblink: <https://assets.cmhc-schl.gc.ca/sites/cmhc/professional/housing-markets-data-and-research/housing-research/research-reports/2022/housing-shortages-canada-solving-affordability-crisis-en.pdf?rev=88308aef-f14a-4dbb-b692-6ebbddcd79a0>

Figure 6

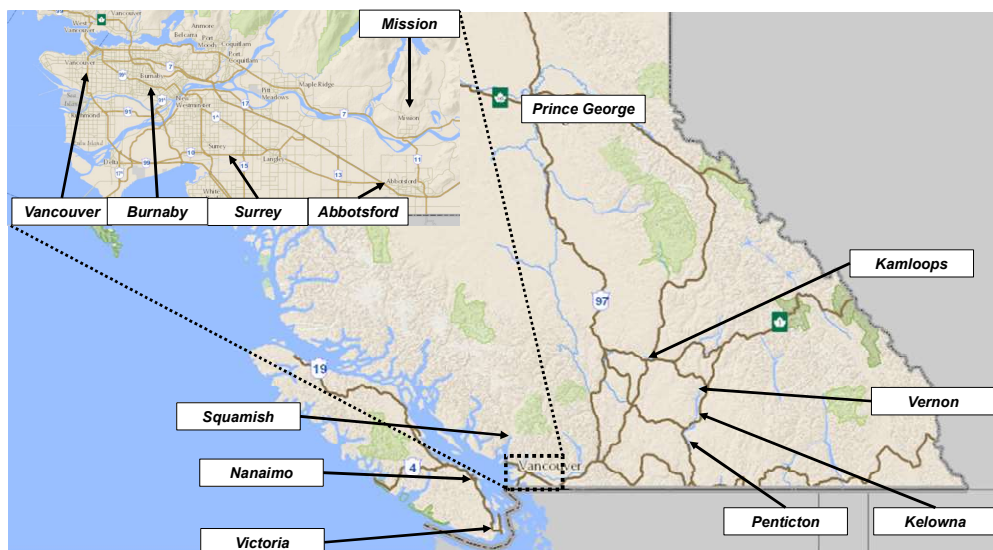
Subject Area	Approach
Demographic and Statistical Overview	Provide overview of trends in housing construction (tenure, form, prices), and shifts in population.
Estimate of Historic and Future Housing Demand	Estimating the shortfall in housing production over the past 10-20 years relative to demographic demand and forecasting future housing demand by unit type.
Sampling of Municipal Approvals Timelines	Estimating the amount of time that typical development applications spend in the municipal approvals process.
Economic Impacts of Housing Construction	Review of economic benefits of housing construction (or lost economic benefits from unmet housing demand), including GDP, job creation, population growth, tax revenues, etc.

1.4.2 Geographic Scope

The study looks at the planning processes in a total of 13 municipalities in British Columbia (B.C.), as summarized in the map below.

Figure 7

Location of 13 Study Municipalities



Source: iMapBC

1.5 CAVEATS

The report looks at factors that may be contributing to housing affordability issues in B.C., such as planning processes, demographic factors, timelines for gaining approvals for new housing, etc. However, these factors are not meant to represent an exhaustive list of factors that contribute towards housing affordability issues.

The information presented in this report is based on interpretation of various municipal policies, by-laws, rate schedules, etc. While every effort has been made to interpret these materials accurately, there can be no certainty that municipal stakeholders will apply their policies and rates in the same manner as interpreted here.

The models at the core of this report frequently rely upon inputs and assumptions, such as assumed land values, estimated housing prices, and development yields from hypothetical development sites. These inputs and assumptions are intended for the purposes contained herein, and should not be used for any other purposes, or relied upon in any manner other than how they are used within this report.

The data presented in this report is based on the latest data available as of the writing of the report, but given the types of data used, the most recent iteration of data may vary from one chart, table, or figure to the next. For example, as of the time of writing of this report, CMHC data on housing starts is available to the end of 2021, while certain Statistics Canada Census data is only current as of mid-2016.

2 POPULATION TRENDS

This section provides a high-level overview of key demographic characteristics in B.C. and the studied municipalities, and presents some key statistics related to population growth in these markets.

2.1 POPULATION IN B.C.

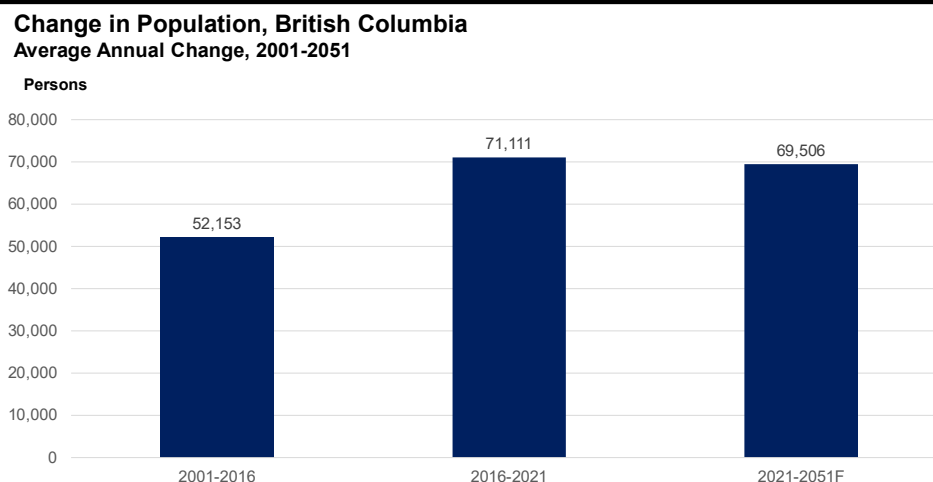
2.1.1 Population Change

The population in B.C. has experienced a significant increase between 2016 and 2021, largely driven by immigration and persons from other parts of Canada moving into the province.

The population increased by roughly 71,000 people per year between 2016-2021, up from 52,000 people per year between 2001 and 2016.

This pace of population growth is expected to continue over the next 30 years along with higher immigration targets at the Federal level and a relative economic outperformance in B.C. relative to other provinces.

Figure 8



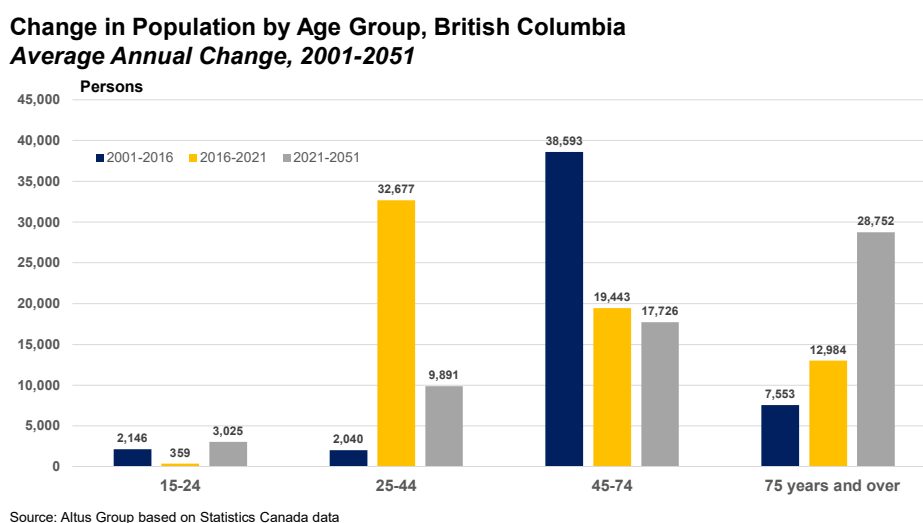
Source: Altus Group, Statistics Canada

2.1.2 Population by Age

Population growth in B.C. has largely been driven by the first-time homebuyer demographic (those aged 25-44). Figure 9 shows that this age group increased by almost 33,000 persons per year between 2016 and 2021.

The figure below shows that looking forward, the population is aging and the largest growth will occur in the 45 to 74 age group as all the Millennials (those born between 1981 and 1996) that moved to B.C. in last five years age.

Figure 9



2.2 POPULATION TRENDS BY MUNICIPALITY

2.2.1 Population Change

Population in the municipalities studied grew by an average of 6.6% over the 2011-2016 period and 7.9% over the 2016-2021 period, each slightly above the Province-wide growth rates of 5.6% and 7.6%, respectively.

Figure 10

Change in Population Among Studied Municipalities, 2011-2021

Municipalities	Population			% Change in Population	
	2011	2016	2021	2011-2016	2016-2021
	<i>Persons</i>			<i>Percent</i>	
Penticton	32,877	33,761	36,885	2.7%	9.3%
Mission	36,426	38,833	41,519	6.6%	6.9%
Surrey	468,251	517,887	568,322	10.6%	9.7%
Vancouver	603,502	631,486	662,248	4.6%	4.9%
Burnaby	223,218	232,755	249,125	4.3%	7.0%
Abbotsford	133,497	141,397	153,524	5.9%	8.6%
Victoria	80,017	85,792	91,867	7.2%	7.1%
Nanaimo	83,810	90,504	99,863	8.0%	10.3%
Squamish	17,158	19,512	23,819	13.7%	22.1%
Kamloops	85,678	90,280	97,902	5.4%	8.4%
Kelowna	117,312	127,380	144,576	8.6%	13.5%
Vernon	38,180	40,116	44,519	5.1%	11.0%
Prince George	71,974	74,003	76,708	2.8%	3.7%
Regional Districts					
Nanaimo RD	146,574	155,698	170,367	6.2%	9.4%
Squamish-Lillooet RD	38,173	42,665	50,496	11.8%	18.4%
North Okanagan RD	81,237	84,354	91,610	3.8%	8.6%
Capital RD	359,991	383,360	415,451	6.5%	8.4%
Greater Vancouver RD	2,313,328	2,463,431	2,642,825	6.5%	7.3%
Thompson-Nicola RD	128,471	132,663	143,680	3.3%	8.3%
Central Okanagan RD	179,839	194,882	222,162	8.4%	14.0%
Okanagan-Similkameen RD	80,742	83,022	90,178	2.8%	8.6%
Fraser-Fort George RD	91,879	94,506	96,979	2.9%	2.6%
British Columbia	4,400,057	4,648,055	5,000,879	5.6%	7.6%

Source: Altus Group Economic Consulting based on Census of Canada

Squamish was the fastest growing municipality of those studied, growing by nearly 39% over the 10-year period. Roughly half of the Province-wide growth over the 2011-2021 period (600,822 persons) was from the 13 study municipalities (298,977), with the City of Surrey growing by over 100,000 people alone.

2.3 SOURCES OF POPULATION CHANGE

Statistics Canada data on sources of population change can provide information on the sources of growth for the Census Divisions (CD) within B.C. There are five key sources of flows of people into and out of populations within a given municipality:

- **Natural Increase/Decrease** – the difference between births and deaths within a population.
- **Net Intraprovincial migration** - persons moving in/out of the municipality or metropolitan area, but staying within the same province;
- **Net immigration** - persons arriving from outside of Canada (as permanent residents) minus persons that were living in Canada leaving the country;
- **Net Interprovincial migration** – net inflow or outflow of persons moving into a municipality or region from another province (or vice versa);
- **Net non-permanent residents** – net inflow or outflow of foreign persons coming to Canada on a temporary basis, such as temporary workers, students, etc.

We will provide a high-level overview of key trends within each of the above five sources of population change.

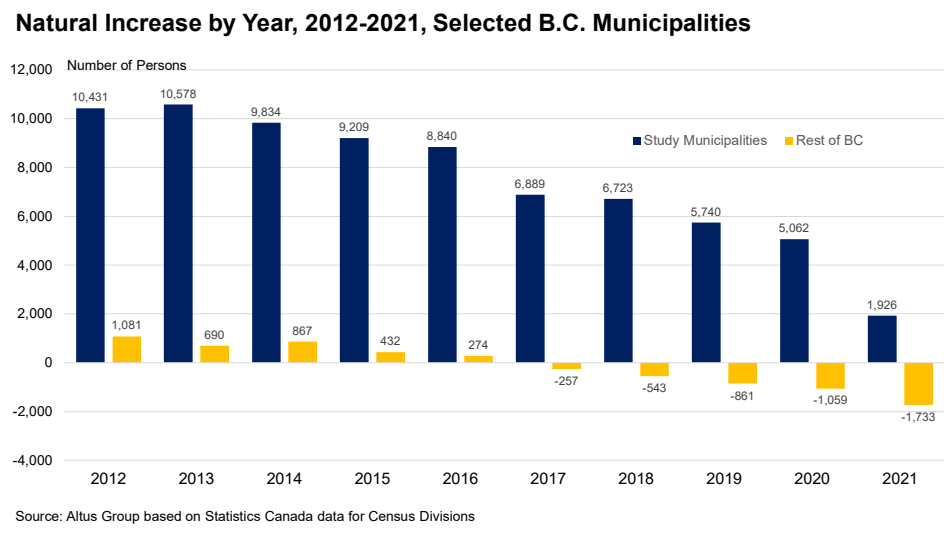
2.3.1 Natural Increase/Decrease

The rate of growth of natural increase (births less deaths) has slowed significantly in B.C. over the past 10 years, caused by births remaining relatively constant year-to-year (42,570 to 44,990 per year across B.C.), while deaths have steadily increased due to the gradual aging of the population. Deaths increased from approximately 32,000 per year between 2001 and 2016 to over 40,000 in the past few years.

As B.C.-wide natural increase was barely positive in 2020/21 (just 193 more births than deaths) it is likely that this metric will become “Natural Decrease” sometime over the next several years, and already has fallen below zero for some of the 13 study municipalities. As the existing population begins to be unable to grow on its own, it places additional emphasis on other domestic

and international sources for population growth to support labour supply and economic growth. Labour shortages are one particular issue than can arise.

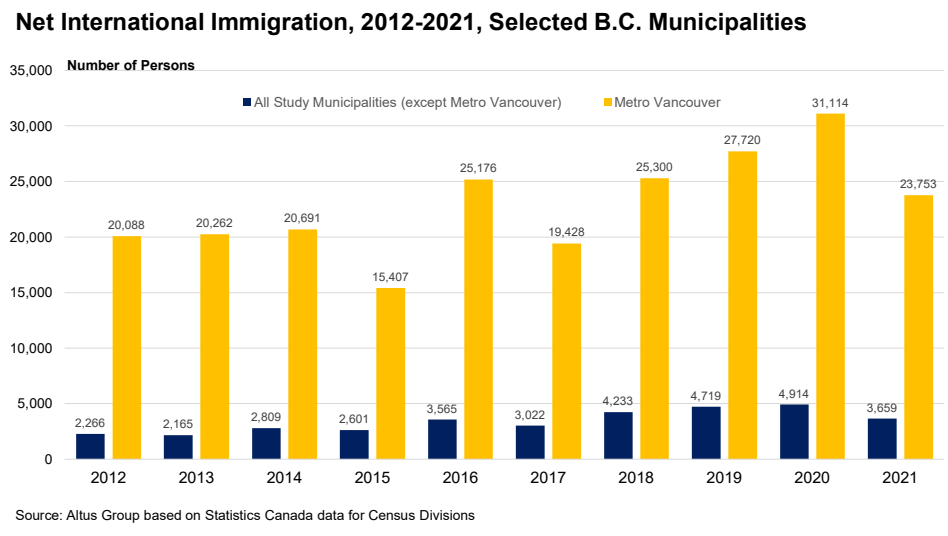
Figure 11



2.3.2 Net International Immigration

Net International Immigration has remained a pillar of both strength and stability for population growth in B.C. municipalities.

Figure 12



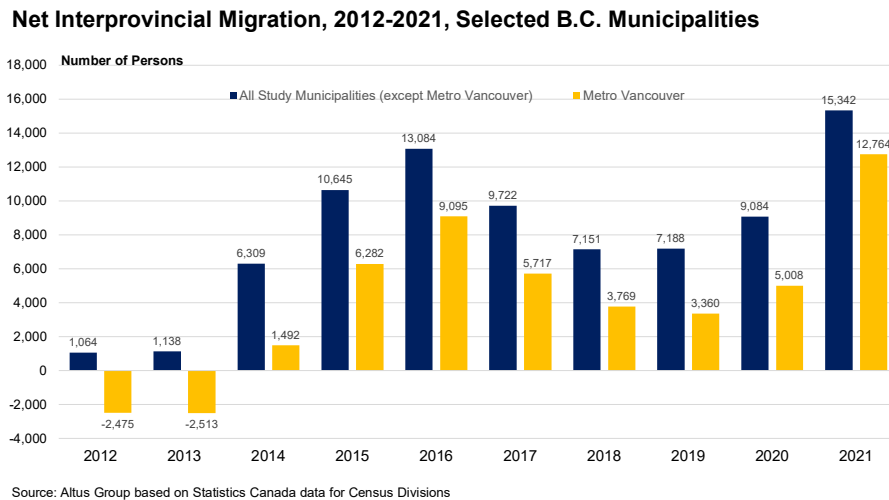
B.C. attracts an average of 27,000 persons through net immigration, more than 80% of which settles in the Metro Vancouver Area. While net immigration has fallen across the rest of Canada during the pandemic, B.C. experienced a net expansion in net international immigration.

2.3.3 Net Interprovincial Migration

People moving from other provinces to B.C. has been a major source of population growth for the province over the last eight years. On net, B.C.

municipalities have been attracting more persons from other provinces than have been leaving (net interprovincial migration) since 2014. Net interprovincial migration hit a record 34,000 in B.C. in 2021, which was almost equally split between Metro Vancouver and the other 13 municipalities studied in this report. Net interprovincial migration in 2021 was more than double that of the prior four years.

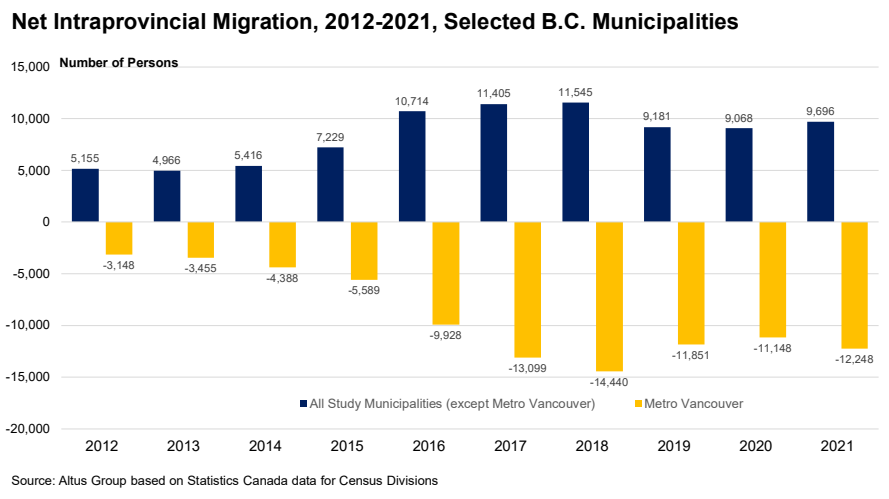
Figure 13



2.3.4 Net Intra-provincial Migration

Over the past 10 years, there has been an increasingly large net outflow of persons living in the Metro Vancouver Area moving to places in other parts of B.C., with the net outflows nearing, or exceeding 10,000 persons each year since 2015/16. In total, over the 10-year period ending mid-2021, the Metro Vancouver saw a total net outflow of nearly 89,300 persons moving to other parts of BC.

Figure 14

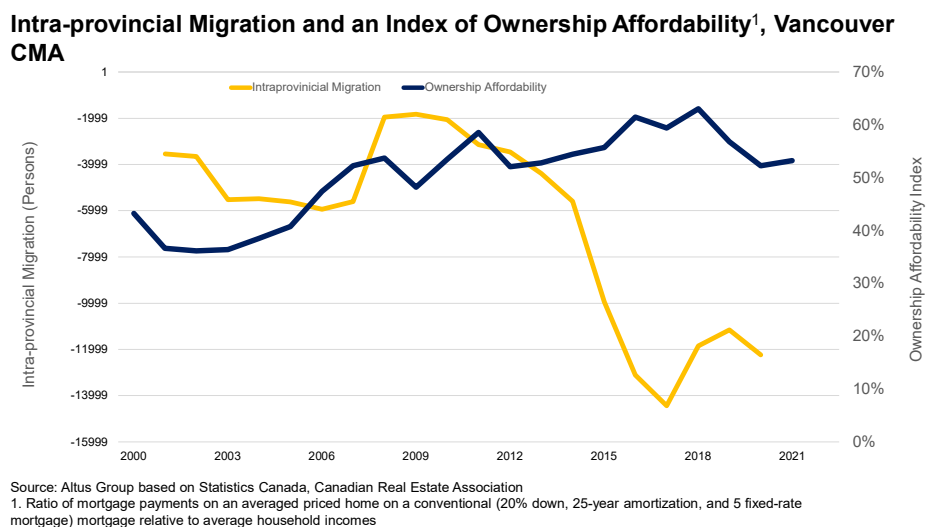


The net outflows from Metro Vancouver have flown into the regions of Fraser Valley (including Abbotsford and Mission), the Capital (Victoria), the Central Okanagan (Kelowna), Nanaimo and Thompson-Nicola (Kamloops).

A significant outflow of persons from a city to other parts of a province (intra-provincial migration) can be due to households leaving an area due to a lack of desired housing options in a municipality, or the unaffordability of the housing options that are available.

Figure 15 maps trends in the population leaving Metro Vancouver on net for other parts of B.C. against the measure of housing affordability described in section 1 of this report. The figure shows that the trend deterioration in affordability in Metro Vancouver since 2015 has been mirrored in net outflows of people.

Figure 15



2.3.5 Sources of Population Change by Municipality

Figure 16 further highlights what intra-provincial migration flows have looked like by individual municipalities studied in this report.

Figure A-1 from Appendix A of this report shows detailed data regarding trends in population change by the major census divisions that contain the 13 study municipalities. Highlights from this table include:

- Natural increase is falling for all regions studied in this report and is likely to fall below zero soon, as it has in many other places across B.C.;
- Deaths also exceeded births in Thompson-Nicola and Central Okanagan between 2017-2021, after being slightly positive in the prior five years. These regions are aging faster than the others;
- Net international immigration rose rapidly between 2017 and 2021 for all the regions studied in this report. Net international

immigration more than doubled in Capital, Okanagan-Similkameen, Nanaimo, Thompson-Nicola and North Okanagan;

- The net migration of people out of the Greater Vancouver Area lifted the population in all other areas studied in this report between 2017 and 2021, except for Squamish-Lillooet; and
- Net Non-Permanent Residents increased across all regions between 2017-2021, when compared to average annual levels for 2012-2016, with the exception of Squamish-Lillooet;

Overall, the municipalities studied outside of the Metro Vancouver Area are attracting population from other parts of B.C., Canada and the world. This new demand requires more housing

Figure 16

Sources of Intraprovincial Migration Inflows and Outflows, BC Census Divisions, Last 10 Years

Census Division (CD)	Total Net In/(Out) Flows - Intraprovincial Migration, 2012- 2021	Study Municipalities
Greater Vancouver	(89,294)	Surrey, Vancouver, Burnaby
Fraser Valley	23,408	Abbotsford, Mission
Capital	17,668	Victoria
Central Okanagan	15,327	Kelowna
Nanaimo	12,503	Nanaimo
Thompson-Nicola	6,902	Kamloops
Cowichan Valley	4,823	
Comox Valley	4,630	
North Okanagan	4,629	Vernon
Okanagan-Similkameen	4,225	Penticton
Strathcona	2,703	
Sunshine Coast	1,694	
Columbia-Shuswap	1,419	
Kootenay Boundary	1,265	
Alberni-Clayoquot	788	
Powell River	725	
East Kootenay	240	
Squamish-Lillooet	164	Squamish
Central Coast	(88)	
Stikine	(163)	
Fraser-Fort George	(451)	Prince George
Central Kootenay	(589)	
Cariboo	(807)	
Mount Waddington	(865)	
Northern Rockies	(1,131)	
Skeena-Queen Charlotte	(1,220)	
Kitimat-Stikine	(1,898)	
Peace River	(3,257)	
Bulkley-Nechako	(3,350)	

Source: Altus Group Economic Consulting based on Statistics Canada

2.4 SUMMARY

This section provided a high-level overview of key demographic characteristics in B.C. and the studied municipalities. The findings include:

- The population in B.C. increased by roughly 71,000 people per year between 2016-2021, up from to 52,000 people per year between 2001 and 2016, driven by immigration and persons from other parts of Canada moving into the province;
- This pace of population growth is expected to continue over the next 30 years along with higher immigration targets at the Federal level and a relative economic outperformance in B.C. relative to other provinces;
- Population growth in B.C. has largely been driven by the first-time homebuyer demographic (those aged 25-44);
- Population in the municipalities studied grew by an average of 6.6% over the 2011-2016 period and 7.9% over the 2016-2021 period, each slightly faster than the Province-wide growth rate;
- The rate of growth of natural increase has slowed significantly in B.C. over the past 10 years, caused by births remaining relatively constant year-to-year, while deaths have steadily increased due to the gradual aging of the population. Natural increase already has fallen below zero for some of the 13 study municipalities, putting an emphasis on in-migration trends to help support population growth and the economy;
- Net International Immigration and net interprovincial migration have remained a pillar of both strength and stability for population growth in B.C. municipalities. B.C. attracts an average of 27,000 net immigration, more than 80% of which settles in the Metro Vancouver Area. Net interprovincial migration hit a record 34,000 in B.C. in 2021; and
- Over the past 10 years, nearly 89,300 persons have moved from Metro Vancouver to other parts of British Columbia. The other municipalities studied in this report have benefited from these flows as the offer more affordable housing options.

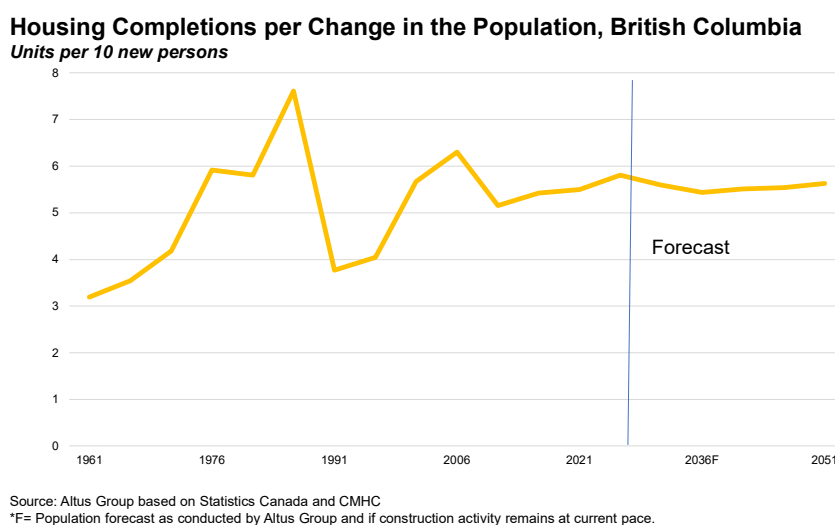
3 HOUSING SUPPLY TRENDS

3.1 HOUSING CONSTRUCTION

Figure 17 shows the number of new homes completed per change in the population. The chart shows that this ratio reached a peak of almost 8 units built for every 10 persons added to the population in the mid-1980s. This ratio had a second peak of just over 6 houses for every 10 people added to the population in the early 2000s – the same time housing was at its most affordable level.

This ratio has since hovered around 5.5 units per every 10 people added to the population and is unlikely to increase without an increase in new home construction.

Figure 17



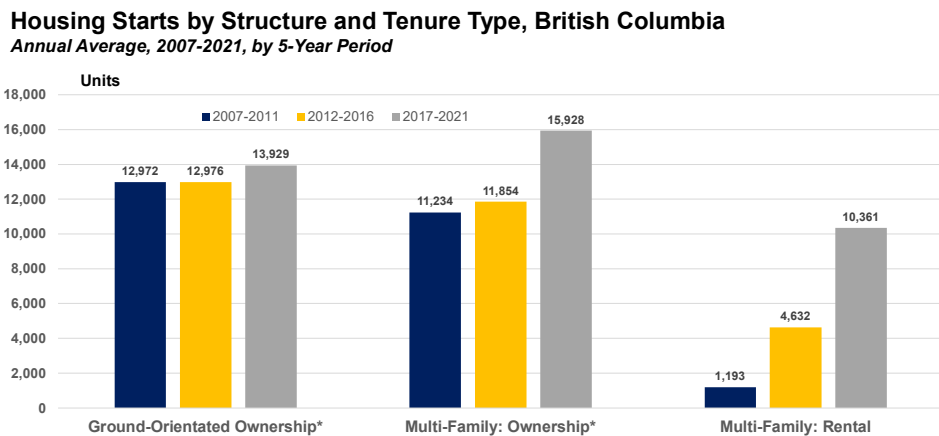
3.2 HOUSING STARTS BY STRUCTURE AND TENURE

Figure 18 looks at the shift in housing supply by structure and tenure type by three time periods, 2007-2011, 2021-2016 and 2017-2021.

The figure shows that the increase in demand from population growth is being met through building more multi-family homes, for both homeownership and purpose-built rentals. Note that around 30% of multi-family units built for homeownership are held as investments and rented out.

There has been little increase in single-family home building in response to the sharp increase in population growth.

Figure 18



Source: Altus Group based on CMHC Housing Starts data. * Ownership includes freehold, condo and co-op.

3.3 SUMMARY

Housing supply has increased along with the increase in population growth, but its struggled to keep pace with demographic demand.

There has also been a shift to building more multi-family houses in the last five years than has historically been the case. Multi-family housing has accounted for over 60% of new home building between 2016 and 2021.

4 MEASURING HOUSING SHORTAGES

This section looks at how trends in homebuilding may have impeded population growth and/or household growth in British Columbia and the municipalities studied in this report. The overall goal is to provide some measure of the shortage in housing in B.C.

4.1 HOUSEHOLD FORECASTS – ACTUAL VERSUS REALIZED

Household growth in B.C. has increased along with population gains. Figure 19 shows that the number of households increased by 32,000 households per year between 2016 and 2021, up from 24,000 per year in the prior fifteen years. This rate of household growth is expected to continue for the next 30 years. However, the rate of household growth has likely been dampened by housing supply constraints.

Figure 19

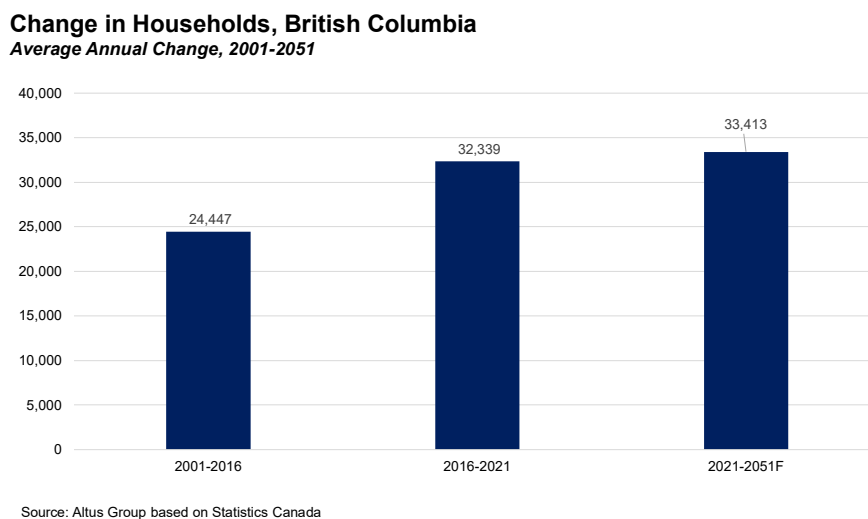
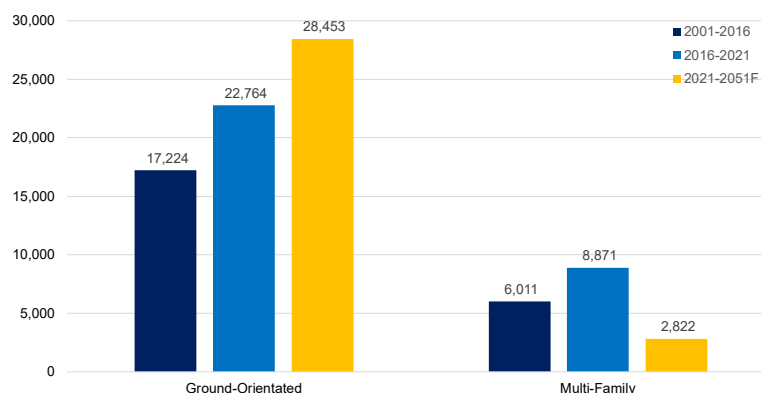


Figure 20 shows what demand would have looked like by housing type, if past housing preferences were realized.

Figure 20

Change in Housing Demand by Structure Type, British Columbia, 2001-2051F
Average Annual, Units



Source: Altus Group based on CMHC Housing Starts data

The figure shows that there would have been an acceleration in demand for ground-related housing and a more moderate increase in demand for multi-family housing between 2016 and 2021. This is the opposite of what happened with housing supply by type over this period.

Going forward, the aging of the population means that there will be fewer new households per year that will want to live in a multi-family unit and far more new households that will prefer ground-related housing. Over 60% of households over the age of 35 choose to live in a ground-oriented home in British Columbia.

One way to measure how a housing supply shortage (particularly of ground-related housing) is to create a counter case in household growth. If the province had created more (affordable) housing, more people would be attracted to the region and more young people would create their own homes. In other words, we are measuring how much population and household growth was limited due to a lack of affordable housing.

In this section, we look at how the province of B.C. and the municipalities studied in this report have missed their household forecasts over the last decade as a measure of limits put on their growth prospects. This miss can be attributed to not enough housing being built.

Figure 21 compares historical and current household growth forecasts for the municipalities studied in this report to actual household growth and new home building. The table includes data on:

- Past household growth forecasts for 2011-2021 produced by the municipalities in the housing needs assessments used to develop their official plans (done before 2011);
- Actual household growth between 2011 and 2021;
- Current household growth forecasts for 2021-2041 produced by or for the individual municipalities in 2020 or 2021 in updated their official plans; and
- BC Housing forecasts by municipality consistent (roughly) with the B.C. population and housing growth forecasts presented in sections 4.1 and 4.2.

Figure 21 Average Annual Household Growth, Forecasted and Actual, Select Municipalities in British Columbia

	2011-2021			Actual Average Annual Housing Completions (2011-2021)	2021-2041		
	Average Annual Change in Households				BC Housing Forecast* (October 2021)	Municipal Own Housing Forecasts - Annual Average	Ratio of Forecasts to Recent Completions
	Expected	Actual	Difference				
	<i>Households</i>			<i>Units</i>			
Vancouver	4,390	4,076	(314)	5,560	4,344	2,650	0.48
Burnaby	3,100	1,430	(1,670)	2,345	1,718	1,575	0.67
Surrey	4,710	3,282	(1,428)	4,061	4,599	3,750	0.92
Victoria	580	627	47	574	767	580	1.01
Nanaimo	840	696	(144)	759	787	n.a.	n.a.
Kamloops	502	489	(13)	622	404	598	0.96
Kelowna	1,500	1,254	(246)	2,005	--	922	0.46
Vernon	318	335	17	307	268	342	1.11
Penticton	176	213	37	278	214	122	0.44
Prince George		253	253	338	297	392	1.16
Abbotsford	539	678	139	785	1,038	947	1.21
Mission	243	131	(112)	146	172	248	1.70
Total	16,897	13,464	(3,433)	17,021	13,819	12,127	0.71

*BC Housing forecasts are adjusted to a comparable geography as census data.

**Not enough information is available to provide an analysis for Squamish. BC Housing does not provide a forecast for Kelowna.

Source: Altus Group Economic Consulting based on Municipal Forecast Documents, BC Housing, CMHC and Statistics Canada

The data in the table allows us to track how the municipalities are performing relative to their past and current housing forecasts. Key findings from the table include:

- Seven (7) of the 13 municipalities studied had slower growth in households between 2011 and 2021 than they had previously forecasted. Household growth fell short by 3,400 in all 13 municipalities combined. The largest misses were in Burnaby and Surrey;
- Average annual housing construction was just enough to meet expected demand over the 2011 and 2021 period in almost all municipalities studied. However, new home growth did not account for the addition of new units to allow for some vacancies and other uses for houses (such as cottages, Airbnb, vacant units and student housing).
- Six (6) of the 13 municipalities are forecasting a slower pace of household growth between 2021-2041 than was realized in the prior

decade, including Vancouver, Burnaby, Surrey, Kelowna, Kamloops and Penticton;

- Six (6) of the 13 municipalities studied are forecasting (and thereby planning) for a slower pace of household growth than is being forecast by BC Housing, a crown corporation of the province, including Vancouver, Burnaby, Surrey, Victoria, Penticton, and Abbotsford. That would add up to a future loss of **1,700** households per year.

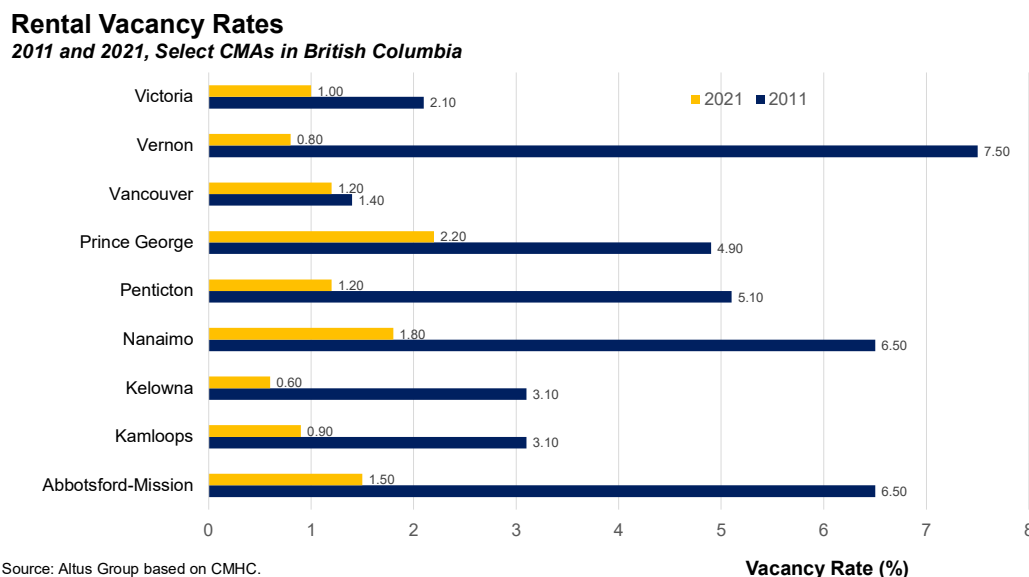
Overall, most of the municipalities studied in this report have not had enough housing to keep pace with population and household growth over the last decade and future population growth will likely be impeded.

4.2 RENTAL MARKET VACANCIES ARE LOW

Another measure of the housing supply shortage is the rental vacancy rate. A rental vacancy rate of 2% to 4% indicates a balanced market, one in which there is enough supply to meet demand and keep prices rising at or below inflation (2% in normal times). A vacancy rate lower than 2% indicates a tight rental market in which rents rise rapidly. A vacancy rate higher than 4% indicates a market that is over supplied.

Figure 22 shows that the rental market in all the municipalities studied were either well balanced or over supplied in 2011. The rental vacancy rate ranged from a low of 2.1% in Victoria to a high of 7.5% in Vernon. In 2021, the rental vacancy rate was under 2% in all but one municipality (Prince George). The rental market would require 3,154 new units to move into balance at 2021 demand levels.

Figure 22



4.3 DECLINING HOMEOWNERSHIP RATES

High housing costs are also leading to lower homeownership costs.

Figure 23 shows homeownership rates for households by major age group in British Columbia. The figure shows that homeownership rates have declined for all age categories, except for those 75 years and older. The biggest declines have been among those 44 years and younger. Almost 60% of households headed by someone aged 25 to 44 were homeowners at the time of the 2006 census, while only 51% of households in this age group owned a home in 2021.

Figure 23

Homeownership Rates by Age, British Columbia, 2006-2021

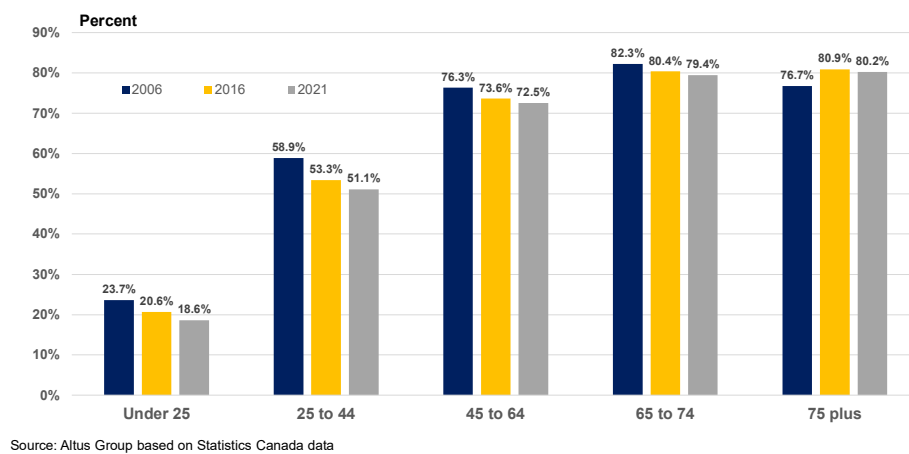


Figure 24 shows that the decline has been experienced broadly across the municipalities studied in this report. Overall homeownership rates have fallen by 3% in both Metro Vancouver and the other study municipalities between 2006 and 2021. Homeownership rates for households headed by a person aged 25 to 44 fell by 8.2% in Metro Vancouver and 7.4% in the other municipalities combined.

Figure 24

Homeownership Rates by Age Group, Study CMAs, 2006-2021

	2006	2016	2021	2006-2021
	Level, (%)			Change
<u>Metro Vancouver</u>				
Under 25	21.8%	21.5%	17.4%	-4.4%
25 to 44	54.6%	49.9%	46.4%	-8.2%
45 to 64	72.2%	70.3%	69.3%	-2.9%
65 to 74	77.9%	75.8%	75.7%	-2.2%
75 plus	73.0%	77.5%	77.4%	4.4%
Total	65.1%	63.7%	62.1%	-3.0%
<u>Rest of Study CMAs</u>				
Under 25	22.5%	16.2%	16.6%	-5.9%
25 to 44	61.5%	55.4%	54.0%	-7.4%
45 to 64	78.9%	75.2%	73.9%	-5.0%
65 to 74	83.5%	81.4%	79.8%	-3.7%
75 plus	77.1%	82.0%	80.3%	3.2%
Total	71.5%	69.4%	68.3%	-3.2%

Source: Altus Group, based on Statistics Canada data

4.4 RISING AVERAGE HOUSEHOLD SIZE

Figure 25 shows the trend in average household sizes for each municipality. Compared with 2016, average household sizes in 2021 increased for all studied municipalities.

Conversely, increases in average household sizes can be due to numerous demographic reasons, including, among other reasons, an increasing proportion of dwelling units being shared by multiple families, an increase in the share of the population living with roommates, adult children not able to find suitable or attainable housing and staying in the family home for longer.

Figure 25

Change in Population per Dwelling Unit Among Studied Municipalities, 2016-2021

Municipalities	<u>Average Household Size</u>		<u>Change 2016-2021</u>	<u>% Change 2016-2021</u>
	<u>2016</u>	<u>2021</u>		
	<i>Persons per Unit</i>			
Penticton	2.09	2.12	0.04	1.7%
Mission	2.70	2.95	0.25	9.1%
Surrey	2.76	3.06	0.31	11.1%
Vancouver	2.13	2.17	0.04	2.0%
Burnaby	2.42	2.46	0.04	1.7%
Abbotsford	2.72	2.88	0.16	5.9%
Victoria	1.75	1.87	0.12	6.7%
Nanaimo	2.14	2.31	0.17	8.1%
Squamish	2.36	2.59	0.23	9.7%
Kamloops	2.33	2.45	0.13	5.4%
Kelowna	2.18	2.32	0.15	6.8%
Vernon	2.15	2.25	0.11	4.9%
Prince George	2.38	2.41	0.03	1.4%
Regional Districts				
Nanaimo RD	2.13	2.26	0.14	6.4%
Squamish-Lillooet RD	2.33	2.52	0.20	8.5%
North Okanagan RD	2.26	2.36	0.10	4.2%
Capital RD	2.12	2.24	0.13	6.0%
Greater Vancouver RD	2.41	2.53	0.13	5.2%
Thompson-Nicola RD	2.31	2.40	0.08	3.7%
Central Okanagan RD	2.21	2.36	0.15	6.6%
Okanagan-Similkameen RD	2.14	2.20	0.06	2.7%
Fraser-Fort George RD	2.38	2.41	0.03	1.3%
British Columbia	2.34	2.45	0.11	4.8%

Source: Altus Group Economic Consulting based on Census of Canada

Figure 26 shows that the higher household size may be due multiple families living in the same house. The table shows that in the last decade there was an increase in the proportion of the population living in a multi-generational home; with roommates; and with other census-families. This is true in B.C. and broadly across Canada.

Figure 26

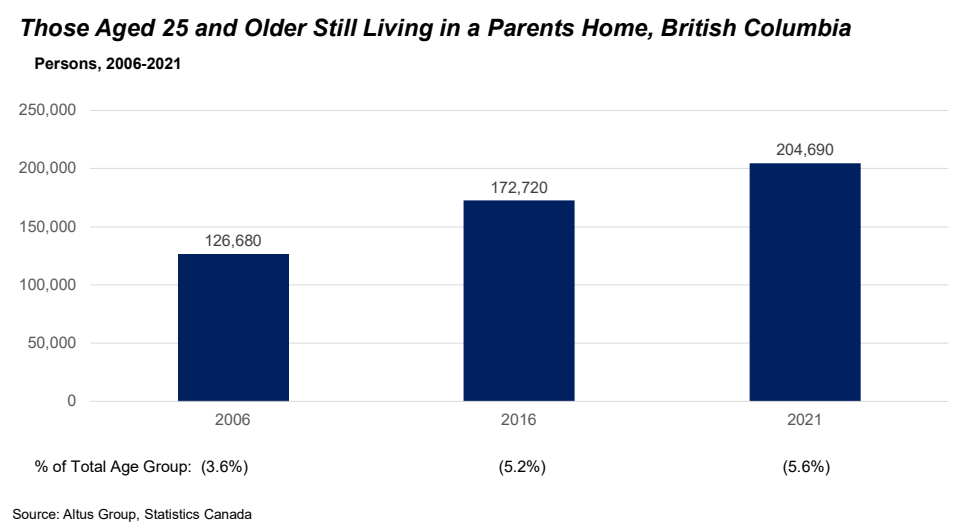
Living Arrangements of Persons in Canada, B.C. and Study Municipalities

Geography	Living in a Multi-Generation Home		Multiple Census-Family Households and/or One Census-Family with Additional Persons		In a Two-or-More-Person Non-Census-Family Household	
	2011	2021	2011	2021	2011	2021
	<i>Percent</i>					
Canada	5.9%	6.5%	6.2%	6.3%	3.7%	4.3%
British Columbia	7.9%	8.5%	8.0%	8.7%	4.3%	5.3%
Abbotsford-Mission	14.4%	17.5%	9.6%	11.1%	2.8%	3.8%
Kamloops	4.2%	5.3%	7.9%	9.1%	5.2%	5.9%
Kelowna	4.6%	5.3%	8.0%	8.6%	5.2%	6.2%
Nanaimo	4.4%	5.3%	8.2%	9.5%	5.2%	5.9%
Penticton	4.5%	5.0%	6.5%	7.9%	4.3%	4.9%
Squamish	7.6%	6.4%	9.3%	10.9%	4.9%	6.9%
Vancouver	10.5%	10.6%	8.5%	8.7%	4.4%	5.4%
Vernon	4.1%	4.9%	7.9%	8.1%	3.9%	4.5%
Victoria	4.3%	4.9%	7.5%	8.7%	6.1%	6.5%

Source: Altus Group Economic Consulting based on Census data
Reflects data for the CMA. Burnaby and Surry are included in Vancouver CMA data

There has also been an increase in the number and share of young adults living at home with their parents. At the time of the 2021 census, there were roughly 200,000 young adults over the age of 25 still living in a parent's home. That is roughly 6% of that segment of the population, up from 3.6% at the time of the 2006 census.

Figure 27



4.5 MEASURING PENT-UP DEMAND OR “SUPRESSED HOUSEHOLDS”

The data in the section above suggests that there may be building pent-up demand for housing. All the young adults living at home, rooming up with relatives or friends and living in one house with multiple families are families that could have created their own household.

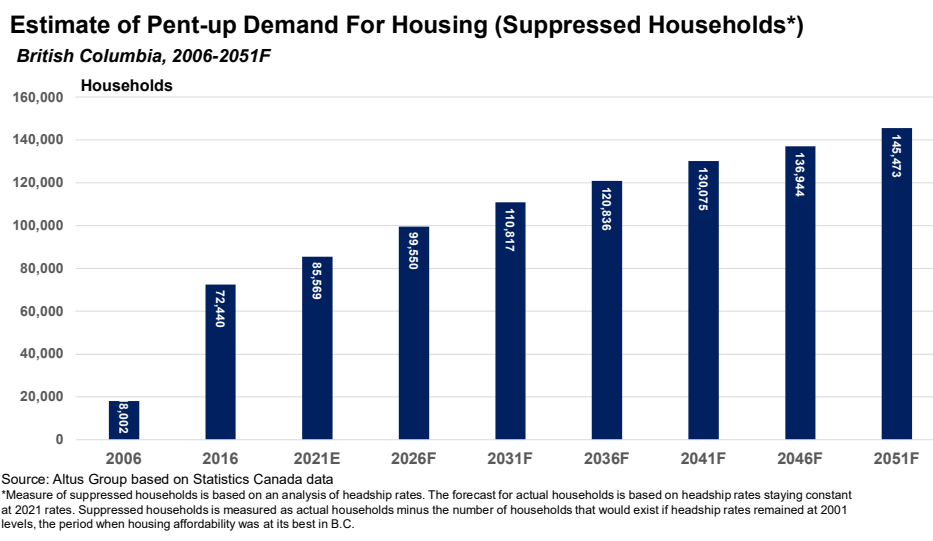
The term “supressed households” is often used to define young people and families that would like to have their own household, but because of affordability issues are living in alternative living arrangements. This is the number of households that are being held back from starting a household because of affordability issues.

Our measure of “supressed households” calculates the number of new households that would have been created if affordability and living arrangements were at 2001 levels, relative to the number of actual households created. Forecasted suppressed households assumes that the pace of construction remains at 2021 levels.

The one exception is for those aged 15 to 25 years. More young people are going to school for longer. As such, it may be reasonable to expect a structural increase in the share of this age group living at home for longer.

Figure 28 shows that there were roughly 87,000 supressed households in 2021 and that number will grow to just over 145,000 absent of an increase in new homebuilding.

Figure 28



4.6 ESTIMATES OF PLANNING APPROVAL TIMELINES AND CAPACITY TO BOOST HOUSING SUPPLY

To assess the ability of B.C. municipalities to both overcome the estimated historic shortfall in housing supply and avoid the escalation of the shortfall in the next 30 years, Altus Group endeavoured to measure typical approval timelines for development applications in various municipalities across British Columbia.

The approval timelines were measured from the date a municipality provided acknowledgment that an application was deemed complete to when a planning approval was provided by the municipality. The nature of a 'planning approval' can take many forms, including:

- Development Permits;
- Rezoning; and
- Subdivision.

It should be noted that while the analysis focuses on the time between complete application and municipal approval, it does not account for the significant period of time that an application may take to achieve a 'complete application' status (i.e. "pre-submission"), nor the period of time from development approval to building permit approval.

Many municipalities provide publicly available datasets containing comprehensive records of planning applications that have been approved. In other municipalities, data is not readily available. In those instances, a detailed review of Council and Committee meeting agendas and minutes was undertaken. In total, after research was completed, the database contains roughly 650 development applications that were approved by the 13 study municipalities.

In total, the sample of 650 individual approvals from the 13 municipalities studied includes 242 rezoning approvals, 274 development permit issuances, and 87 subdivision approvals. Our analysis excluded non-residential applications, and residential applications with fewer than three (3) units.

Based on the data, it is found that the average approval timelines for municipal approval of development applications is 13-14 months for rezoning and development permits, and over 20 months for subdivision. Penticton, Kamloops and Kelowna demonstrated the fastest timelines.

Figure 29

Type of Application	Average Approval Timeline (Among 13 Study Municipalities)
Rezoning	14.2 months
Development Permit	13.6 months
Subdivision	20.6 months

In presenting our preliminary findings to municipal stakeholders, we received constructive feedback regarding the above estimates of average timelines, with several comments suggesting that our estimates may in some cases be understated:

- The data collected or published by municipalities likely include data for approvals that are the result of delegated approval authority to municipal staff, which likely results in shorter timelines than in cases where approvals are required to partake in the Council/Committee path to approval.
- Time spent after preliminary layout acceptance (PLA) for Subdivision applications is often the responsibility of the applicant to fulfill conditions and construct capital infrastructure needed to allow for final approval. Municipal feedback indicates that in some municipalities the full approval timeline is what was reported, while in other municipalities, the data reporting may have limited the posted/reported date of approval to the PLA approval, ignoring the timelines associated with the post-PLA process;
- Some data published by municipalities was suggested as likely representing conditional approvals or third-readings of by-laws, while final approvals or by-law adoption can add time to the approvals process that may not have been captured.
- Significant outliers were removed to ensure that the median timeline was roughly in-line with average timelines. Many of these files required numerous resubmissions. Had these outliers been kept in the data sample, the average timelines would be significantly longer;

In other cases, municipal stakeholders noted that the estimated average approval timelines may be overstating timelines:

- In some cases, more than one type of planning application is required. Where an application may require two-or-more types of approvals, some municipalities review these separate application types concurrently, while others review them consecutively.

- Some subdivision applications may be relatively brief if the municipality tends to utilize servicing agreements to expedite the delivery of infrastructure.
- Some publicly available datasets were felt to not be reliable enough to base an analysis of approval timelines on;

It was also found that other stakeholders in the development process are contributing to the estimated average approval timelines:

- Resubmissions where applicants are responding to comments frequently take long periods of time and can impact approval timelines;
- The timelines associated with awaiting the fulfillment of these conditions and construction of necessary works appears to be incorporated into timeline estimates and may not be indicative of municipal processes or performance.
- Waiting on comments from Provincial ministries or other third-party agencies is included in the approval timelines;

These circumstances and reasons given for the time that applications spend in the approvals process are valid, however given the amount of data collected, and conflicting feedback that the estimates may be simultaneously both understated and overstated, in our opinion, the estimated overall average timeline can be used as a general indicator of the typical timelines involved in gaining municipal approval for development projects.

However, given the apparent significant differences and nuances in reporting standards from one studied B.C. municipality to the next, to improve transparency and avoid some of the perceived overestimates or underestimates of approval timelines, it is recommended that B.C. municipalities be required to produce an annual standardized report on development approval timelines, with as much specific detail as possible.

Having a transparent, reliable and standardized source for approval timelines data (both in terms of approval timelines, but also quantity of housing approved) can ensure that supply shortages relative to housing demand can be anticipated and acted upon as early as possible.

4.7 SUMMARY

This section looks at how trends in homebuilding may have impeded population growth and/or household growth in British Columbia and the municipalities studied in this report.

Household growth in B.C. has increased along with population gains. The number of households increased by 32,000 households per year between 2016 and 2021, up from 24,000 per year in the prior fifteen years. This rate of household growth is expected to continue for the next 30 years.

The bulk of that demand will be for ground-related housing, opposite of what is being built.

Evidence that the rate of household growth is being dampened by housing supply constraints include:

- Seven (7) of the 13 municipalities studied had slower growth in households between 2011 and 2021 than they had previously forecasted. Household growth fell short by *3,433 households per year*, in all 13 municipalities combined. The largest misses were in Burnaby and Surrey;
- In all the municipalities studied were either well balanced or over supplied in 2011. The rental vacancy rate ranged from a low of 2.1% in Victoria to a high of 7.5% in Vernon. In 2021, the rental vacancy rate was under 2% in all but one municipality (Prince George). The rental market would require 3,154 new units to move into balance at 2021 demand levels;
- Homeownership rates have declined for all age categories, except for those 75 years and older. The biggest declines have been among those 44 years and younger. Almost 60% of households headed by someone aged 25 to 44 were homeowners at the time of the 2006 census, while only 51% of households in this age group owned a home in 2021;
- Compared with 2016, average household sizes in 2021 increased for all studied municipalities. There has also been an increase in the number and share of young adults living at home with their parents. At the time of the 2021 census, there were roughly 200,000 young adults over the age of 25 still living in a parent's home. That is roughly 6% of that segment of the population, up from 3.6% at the time of the 2006 census; and
- Our estimates suggest that there were roughly 87,000 suppressed households in 2021 and that number will grow to just over 145,000 absent of an increase in new homebuilding.

To assess the ability of B.C. municipalities to both overcome the estimated historic shortfall in housing supply and avoid the escalation of the shortfall in the next 30 years, Altus Group endeavoured to measure typical approval timelines for development applications in various municipalities across British Columbia.

Based on the data, it is found that the average approval timelines for municipal approval of development applications is 13-14 months for rezoning and development permits, and over 20 months for subdivision. Penticton, Kamloops and Kelowna had the fastest approval timelines.

Given the apparent significant differences and nuances in reporting standards from one studied B.C. municipality to the next, to improve transparency and avoid some of the perceived overestimates or underestimates of approval timelines, it is recommended that B.C. municipalities be required to produce an annual standardized report on development approval timelines, with as much specific detail as possible.

Having a transparent, reliable and standardized source for approval timelines data (both in terms of approval timelines, but also quantity of housing approved) can ensure that supply shortages relative to housing demand can be anticipated and acted upon as early as possible.

5 ECONOMIC IMPACTS / LOSSES

The previous section outlined that the municipalities studied in this report have missed their population and household forecasts. These households would have contributed to economic activity through increased construction activity, spending and tax revenues (through development charges and property taxes). We have endeavoured to estimate the lost economic and fiscal benefits to municipalities from the lost 40,000 households between 2011 and 2021 and the potential economic benefit of 100,000 households that could be created with enough affordable housing supply between 2021 and 2051.

5.1 LOST BENEFITS FROM FOREGONE RESIDENTIAL CONSTRUCTION

Figure 30 shows the estimated lost economic benefits from the lost potential of suppressed households in the municipalities studied. One key economic loss is the construction activity of these homes.

In total, the units not constructed over the 2011-2021 period and anticipated to be suppressed over the 2021-2051 period equate to an estimated \$34.2 billion in residential construction activity.

There would be a direct economic impact from that lost investment, which results from all the supplies purchased and the wages and salaries paid related to the construction of the home. There are also indirect economic losses, related to the economic benefits to industries that supply the construction of homes. There are also knock-on benefits to the rest of the economy (induced impacts) as the additional wages and salaries and jobs that come from the construction of residential homes would lead to reduced consumer spending.

Including the knock-on benefits to the economy, the economic loss from the suppressed households are as follows:

- \$29.7 billion in lost economic activity, including \$23 billion in direct and indirect impacts and \$6.5 billion in unrealized induced impacts;
- \$16.4 billion in lost wages and salaries; and
- A total of 221,000 person-years of employment.

Figure 30

**Total Lost Economic Activity from Suppressed Households, Residential Construction
Economic Impacts, British Columbia, 2011-2051**

	Residential Construction Activity		
	2011-2021	2021-2051	Total
		<i>Dollars</i>	
Lost Spending	10,522,435,339	23,900,238,176	34,422,673,516
Gross Domestic Product (GDP), \$	9,133,686,480	20,535,615,758	29,669,302,238
Direct and Indirect	7,121,587,638	16,013,159,578	23,134,747,216
Induced	2,012,098,842	4,522,456,179	6,534,555,022
Wages and Salaries, \$	5,321,417,964	11,101,660,633	16,423,078,597
Direct and Indirect	4,614,654,668	9,572,045,390	14,186,700,058
Induced	706,763,295	4,522,456,179	5,229,219,475
Person-Years of Employment	92,312	128,751	221,063
Direct and Indirect	76,852	106,118	182,969
Induced	15,460	22,634	38,094

Source: Altus Group Economic Consulting based on Statistics Canada data

5.2 LOST BENEFITS FROM HOUSEHOLD SPENDING

There are also on-going benefits that come from private households, including the expenditures they make to upkeep their homes, including services related to house maintenance, furniture, renovations and home improvements, internet and cable, home insurance and mortgage and rent payments.

These services also have positive knock-on benefits to the rest of the economy through increased jobs and additional spending that comes with those jobs.

It is estimated that the direct and indirect economic cost of the lost spending from private households over the 2011-2051 period combined will equate to:

- \$200 billion in lost GDP;
- \$150 billion in lost wages and salaries; and
- A total of 4.3 million person-years of employment.

Figure 31 Total Lost Economic Activity from Suppressed Households, Foregone Household Spending, British Columbia, 2011-2051F

	Household Spending (Cumulative Over Each Period)		
	2011-2021	2021-2051	Total 2011-2051
	<i>Dollars (000,000)</i>		
Lost Spending	21,283	151,819	173,101
Gross Domestic Product (GDP), \$	23,873	175,359	199,232
Direct and Indirect	15,465	112,622	128,087
Induced	8,408	62,737	71,145
Wages and Salaries, \$	18,106	131,337	149,442
Direct and Indirect	15,086	108,891	123,977
Induced	3,020	22,446	25,466
Person-Years of Employment	675,744	3,476,713	4,152,456
Direct and Indirect	610,035	3,078,496	3,688,531
Induced	65,709	398,217	463,926

Source: Altus Group Economic Consulting based on Statistics Canada data

5.3 LOST MUNICIPAL TAXES AND OTHER REVENUES

Had the suppressed households over the 2006-2021 period been built, and the future housing production meet demand, it would generate material impacts on the amount of one-time and on-going revenues that the municipalities in B.C. and the Province itself would receive.

Municipalities collect development cost charges (DCCs) on new homes, collect property taxes annually. The sale of new homes would also generate land transfer tax revenues for BC, and the household spending foregone by households not forming equates to lost PST revenues on the sale of goods and services.

- Based on average DCC rates across the study municipalities, it is estimated that the foregone housing units amounts to \$2.14 billion in lost DCC revenues, and \$2.15 billion in foregone B.C. land transfer tax revenues;
- Based on average property taxes paid per household across B.C. it is estimated that the foregone housing units equates to \$19.9 billion over the 2006-2051 period;
- The foregone household spending also results in lost provincial sale tax revenues, which are estimated to amount to \$13.7 billion over the 2006-2051 period;

Figure 32

Total Lost Government Revenues from Suppressed Households, British Columbia, 2006-2051

	Suppressed Households by Period			Total
	2006-2016	2016-2021	2021-2051F	2006-2051
	<i>Units</i>			
Lost Units/Households	54,438	13,678	59,355	127,471
ONE-TIME REVENUES				
Development Charges				
	<i>Dollars per Unit</i>			
Average DCCs per Unit	12,175	17,673	20,809	
	<i>Dollars</i>			
Total Lost DCC Revenues	662,788,850	241,725,022	1,235,128,249	2,139,642,121
BC Land Transfer Tax Revenues				
	<i>Dollars per Unit</i>			
Average Land Transfer Tax Paid Per Unit	10,725	19,819	21,838	
	<i>Dollars</i>			
Total Lost Land Transfer Tax Revenues	583,837,398	271,073,492	1,296,202,134	2,151,113,024
Total Lost One-Time Revenues	1,246,626,248	512,798,514	2,531,330,382	4,290,755,144
ON-GOING REVENUES				
Annual Property Taxes and Charges				
	<i>Dollars per Unit</i>			
Average Taxes/Charges on a Typical House/Year				
	<i>Dollars</i>			
Total Cumulative Lost Property Tax Revenues to 2051				19,934,108,804
Total Cumulative Lost PST Revenues to 2051				13,671,997,686
Total Lost Annual Revenues				33,606,106,490

Source: Altus Group Economic Consulting based on Statistics Canada data

5.4 SUMMARY

The lost economic benefit from suppressed households include:

- The lost activity from residential construction between 2011 and 2051, including: \$29.7 billion in economic activity; \$16.4 billion in wages and salaries; and 220,000 person-years of employment;
- The lost economic benefit of household spending between 2011 and 2051, including: \$200 billion in lost GDP; \$150 billion in lost wages and salaries; and 4.3 million person-years of employment;
- \$2.14 billion in lost DCC revenues, and \$2.15 billion in foregone B.C. land transfer tax revenues;
- \$19.9 billion in lost property taxes over the 2006-2051 period; and
- \$13.7 billion in lost provincial sales tax over the 2006-2051 period.

6 CONCLUSIONS

B.C. has significant shifts in demographics and housing trends in the last decade. The province has become very attractive to Canadians and foreign residents, leading to a pick-up in population growth that is expected to continue through the next three decades.

Housing supply has not kept pace, capping both potential population and household growth for the province and the municipalities studied in this report. This has had significant costs for the economy and government revenues.

Key findings of this report include:

- Population in the municipalities studied grew by an average of 6.6% over the 2011-2016 period and 7.9% over the 2016-2021 period, each slightly above the Province-wide growth rates of 5.6% and 7.6%, respectively. This pace of population growth is expected to continue from 2021 to 2051;
- Population is leaving Vancouver on net, for other more affordable municipalities in British Columbia. An average of 89,000 people left Vancouver between 2016 and 2021;
- Household size has increased in B.C., reaching 2.45 in 2021, up from 2.34 in 2016. This was driven by a higher share of households living either in multi-generation homes (with their parents); with roommates or other census families to make up for expensive home prices and rents;
- While demand is growing from family-sized ownership units, there has been an increasing proportion of housing starts in apartments, which have increased their share of total housing starts from just under 53% in the 2007-2011 period to nearly 70% in the past five years;
- There was also a higher share of rental units in all housing starts. The share of new homes started that are purpose-built rentals increased to almost 30% in 2017-2021, from 8.4% in 2007-2011. Still, the market would require roughly 3,200 new rental units to create balanced market conditions;
- Rapidly rising home prices and rents are a signal that housing supply did not kept pace with underlying demographic demand;
- If housing was more affordable, there would have been almost 87,000 more households in British Columbia. There could be a total of 145,000 suppressed households by 2051 if housing affordability does not improve;

- The economic costs of suppressed households in B.C. has estimated to have been \$33 billion between 2011 and 2021 in lost nominal gross domestic product (GDP), and will be \$196 billion between 2021 and 2051, which would also contribute to thousands of jobs; and
- Suppressed households represent a loss in provincial and municipal government revenues of \$38 billion between 2006 and 2051.

To assess the ability of B.C. municipalities to both overcome the estimated historic shortfall in housing supply and avoid the escalation of the shortfall in the next 30 years, Altus Group endeavoured to measure typical approval timelines for development applications in various municipalities across British Columbia.

Based on the data, it is found that the average approval timelines for municipal approval of development applications is 13-14 months for rezoning and development permits, and over 20 months for subdivision. Penticton, Kamloops and Kelowna had the fastest approval timelines.

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Appendix A
Additional Tables

Figure A-1

Sources of Population Change, BC and Key Census Divisions

	Average Annual										
	Okanagan-Similkameen CD	Fraser Valley CD	Greater Vancouver CD	Capital CD	Nanaimo CD	Squamish-Lillooet CD	Thompson-Nicola CD	Central Okanagan CD	North Okanagan CD	Fraser-Fort George CD	BC Total
Natural Increase											
2012-2016	(2,861)	5,293	47,008	(1,079)	(2,570)	1,638	232	28	(639)	1,842	52,236
2017-2021	(3,537)	3,065	36,717	(4,207)	(4,029)	1,417	(864)	(1,615)	(1,555)	948	21,887
Net International Immigration											
2012-2016	263	5,165	101,624	2,959	591	1,485	584	1,320	66	973	119,370
2017-2021	535	5,381	127,315	5,867	1,314	2,262	1,256	2,336	387	1,209	153,846
Net Interprovincial Migration											
2012-2016	2,574	852	11,881	11,644	5,096	1,711	523	7,900	2,122	(182)	51,848
2017-2021	3,004	1,885	30,618	17,930	6,158	1,799	2,154	11,704	2,935	918	97,424
Net Intraprovincial Migration											
2012-2016	294	10,412	(26,508)	7,749	4,343	1,414	2,147	7,056	1,003	(938)	-
2017-2021	3,931	12,996	(62,786)	9,919	8,160	(1,250)	4,755	8,271	3,626	487	-
Net Non-Permanent Residents											
2012-2016	306	1,312	20,070	3,686	827	718	788	1,508	(24)	549	32,170
2017-2021	1,377	7,147	53,178	1,205	517	(1,450)	2,817	4,348	404	1,901	74,347

Source: Altus Group Economic Consulting, based on Statistics Canada