

Breaking ground

Need spurs shift in housing market

As single-family home prices soar, condos are the affordable alternative

Michael Pongan and his wife Geodesa moved to Canada from the Philippines in 2007 with plans to start a family.

The pair rented an apartment in Mississauga during their first year here. Then Geodesa became pregnant and things changed mightily fast.

“We thought if we’re starting a family we should have a home we own, not just rent,” explains Michael, 35. “And we wanted to build equity.”

The Pongans needed a place big enough to house a growing family. And grow it did: Today their clan includes a son, 6, and daughter, 4.

They shopped around a bit before eventually finding what they were looking for in Markham: A 1,900-square-foot detached home with four bedrooms.

“It’s close to work, and most of our relatives live here,” explains Pongan, a software developer. “We wanted our kids to grow up close with their cousins.”

They’re lucky to have gotten into the housing market when they did.

Single-family homes like theirs are a rare and exceedingly expensive commodity across the GTA these days.

Following the introduction of the provincial growth plan, outdated land-use policies have resulted in constrained land supply for single-family home development. The plan placed an emphasis on intensification, favouring multi-family development in existing urban areas, ideally near transit nodes.

It’s a policy change that’s spurred a fundamental shift in the housing market in a short amount of time, with multi-family condominiums becoming the dominant housing form across the GTA in under a decade.

In March, 2,496 new high-rise condos were sold across the GTA, up 105 per cent from the year before, according to RealNet Canada, a real estate statistics consulting firm. That’s a new all-time record for new condo sales.

By comparison, there were 1,631 new low-rise homes (detached, semi-detached and townhouses) sold in March 2014.

With the supply of new single-family homes growing scarce, the average selling price of a low-rise home in the GTA has more than doubled. RealNet’s index price for a condo in March was \$436,898, compared with a low-rise home, at \$657,961.

“With more than 100,000 people



What did you buy and why?

Who: Michael Pongan
Age: 35
Job: Software engineer
Where did you buy: Markham, near Bur Oak Avenue and Ninth Line
What did you buy: 1,900 sq.-ft. single family home with four bedrooms
Why buy there: Most of our relatives are here in Markham — so that’s the reason, to be close to our relatives. And my work is just a 15-minute drive away. Friends recommended I buy a place near where I work.
What do you like about your home: It’s open-concept. We don’t like houses with divisions. When we open the door we see everything — that’s what we like about it.

Michael Pongan, pictured here with his son, bought a home in Markham to house his growing family.

NICK KOZAK

What did you buy and why?

Who: Gea Koleva
Age: 31
Job: PR consultant
Where did you buy: The Carnaby, a mid-rise condo development near Queen Street West and Dufferin Street
What did you buy: A 605 sq. ft., one-bedroom-plus den loft-style condo.
Why buy there: It’s one of the best neighbourhoods in the city. And I wanted a condo because it’s more maintenance-free; as a single person, I didn’t want to deal with the upkeep of a home.
What do you like about your home: I love the interior finishes. I didn’t have to spend a lot on upgrades; the finishes were modern and high quality. And I can see it still being relevant in five to 10 years.

Gea Koleva recently bought a 605-square-foot, loft-style suite at The Carnaby, near Queen Street and Gladstone Avenue.



NICK KOZAK

moving to the GTA every year, those prices put home ownership out of reach for many prospective purchasers,” says Bryan Tuckey, president and CEO of the Building Industry and Land Development Association (BILD).

“Especially first-time buyers and new Canadians who already struggle to save for a down payment.”

On top of constrained land supply, Tuckey notes, outdated zoning bylaws and excessive government fees and charges are “pushing prices out of reach for many people.”

For many buyers, particularly first-timers, condominiums represent a more affordable alternative.

Gea Koleva loves the condo she’s purchased.

The 31-year-old PR consultant recently bought a 605-square-foot, one-bedroom-plus den loft-style suite at The Carnaby, a mid-rise project in the pre-construction stage near Queen Street and Gladstone Avenue. She’s slated to move in at the end of 2015.

“Buying pre-construction is good because I can wait and it gives me some more time to save up,” Koleva says.

She’d wanted to live in the city, but not right downtown, and her future West Queen West neighbourhood offers a perfect balance, with a

streetcar line on the doorstep and plans for a Metro supermarket and park where she can walk her dog.

“I really like the neighbourhood,” she says. “There’s so much going on there and I can see even more potential over the next few years.”

Being a bit removed from the city centre also means her money went farther. “I got a really good deal,” she says. “Plus, the way the suite is designed is really smart and very efficient, so I got more than I thought I could afford.”

Things didn’t go as smoothly for Michael Pongan when he and his wife bought their Markham home back in 2008. His bank slapped him with a whopping 7 per cent interest rate on the mortgage.

“It was crazy,” he says, “but I didn’t know it was high back then.” His lack of Canadian credit history and low starting salary when he first arrived also worked against him. (He eventually refinanced.) Koleva didn’t face surprises buying her condo. But she recommends other first-timers save for a decent down payment, do their homework, and know how much home they can afford to buy and carry each month.

“There are great deals out there,” she says, “but you don’t want to be in over your head.”

Meantime, BILD is doing its part to advocate for homes people can afford to buy.

In a joint submission by BILD

and the Ontario Home Builders’ Association during a recent provincial public consultation, the groups called on the province to push laggard municipalities to update zoning bylaws and official plans to conform with the province’s intensification goals. This will reduce delays in the approval process, resulting in cost savings for homebuyers.

The associations also called for fair and reasonable development charges — the funds invested in new growth-related infrastructure like bridges, sewers and libraries. Development charges are a major component of various government fees and charges on new homes, which add up to approximately one-fifth of the purchase price, according to a BILD-commissioned report by Altus Group.

“We understand the notion that growth must pay for growth,” says Tuckey. “But new-home buyers already do their share by paying about \$1 billion in development charges every year.”

Tuckey added that more transparency and accountability should be mandated for all government fees and charges, so that home and business owners know how their money is being spent.

“We need to work together to find a fair and reasonable funding strategy so that the industry can continue building homes that people can afford to purchase.”

HOUSING MARKET SNAPSHOT

New homes purchased in the GTA in first three months of 2014:

8,298

Value of new homes sold in Q1 2014:

\$4.8 BILLION

New high-rise condos sold in the GTA in March 2014:

2,496

Index price for a condo in first quarter of 2014:

\$436,898

Index price for a low-rise home in first quarter of 2014:

\$657,961



SOURCE: REALNET CANADA INC.

This is the third in an 4-part series sponsored by BILD. Look for the next one on Saturday, June 14.

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WORKING TOGETHER TOWARD A GREATER GTA

Building healthy, complete communities is a team effort. That’s why BILD works closely with our partners in government to establish fair and effective policies that affect the land development, home building and professional renovation industry in the GTA. We are always at the table on behalf of the industry and new home buyers. So why is advocating on your behalf so vital to us?



BECAUSE THE GTA IS OUR HOME TOO

