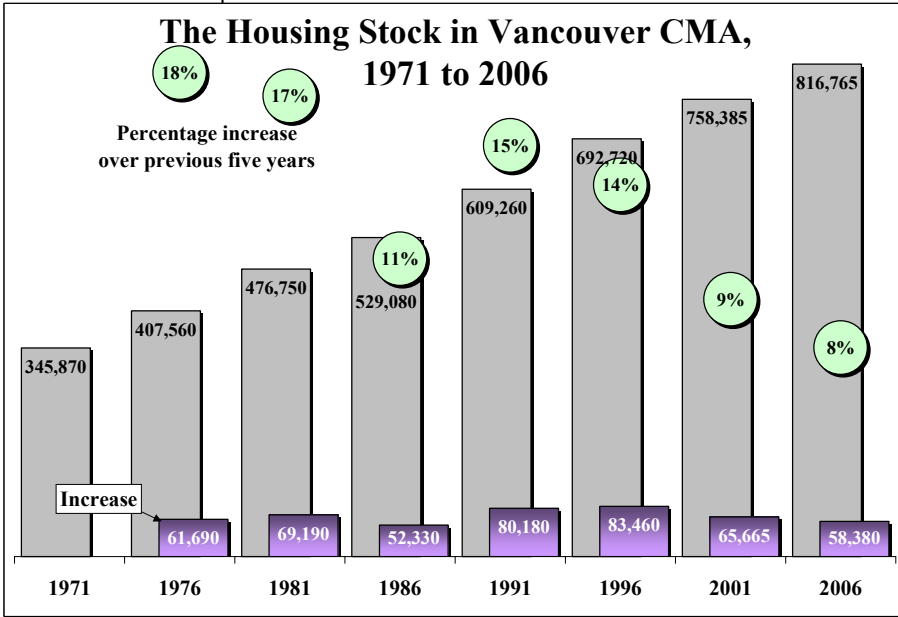


Dimensions of Diversity: 2006 Census Snapshot

Diversity in Dwellings: Housing Change in the Vancouver CMA

Figure 1

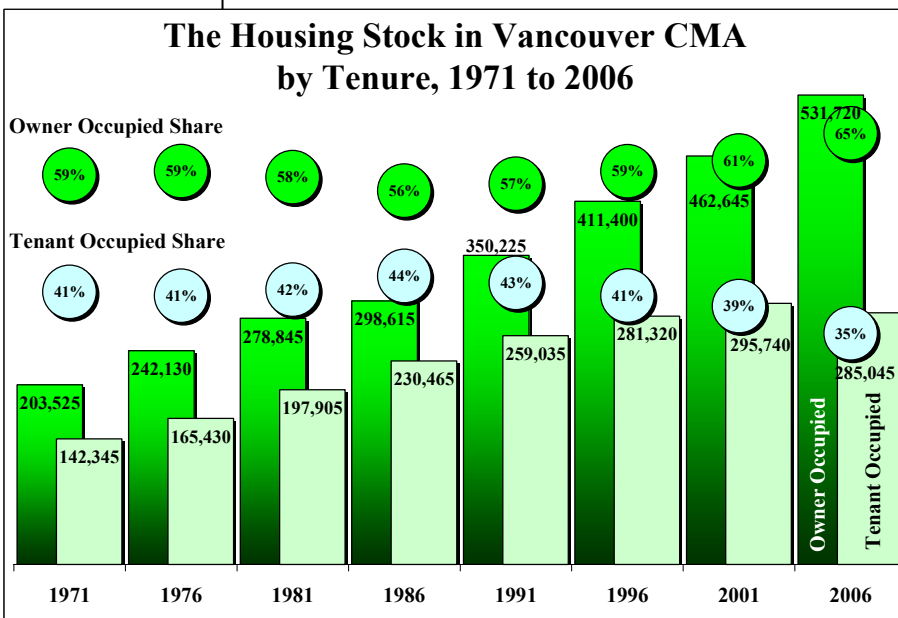


The most recent Census release showed the number of occupied dwellings in the Vancouver CMA (essentially the same geography as the GVRD), has grown to 816,765 dwellings by 2006, eight percent more than the 758,385 that were occupied in 2001 (Figure 1). While headlines bemoan what is perceived to be a white hot construction market, this actually represents the smallest percentage increase in the occupied housing stock the region recorded in the last 35 years, even below the 11 percent increase that occurred during the deep recession of the 1981 to 1986 period. It is also the second smallest absolute increase, falling just above the 1981 to 1986 low of 52,330 additional occupied

dwellings.

While this might come as a surprise given the number of cranes that spot the GVRD skyline, there are a number of factors that have shaped this relatively slow growth rate, ranging from changing demography to changing behaviour.

Figure 2

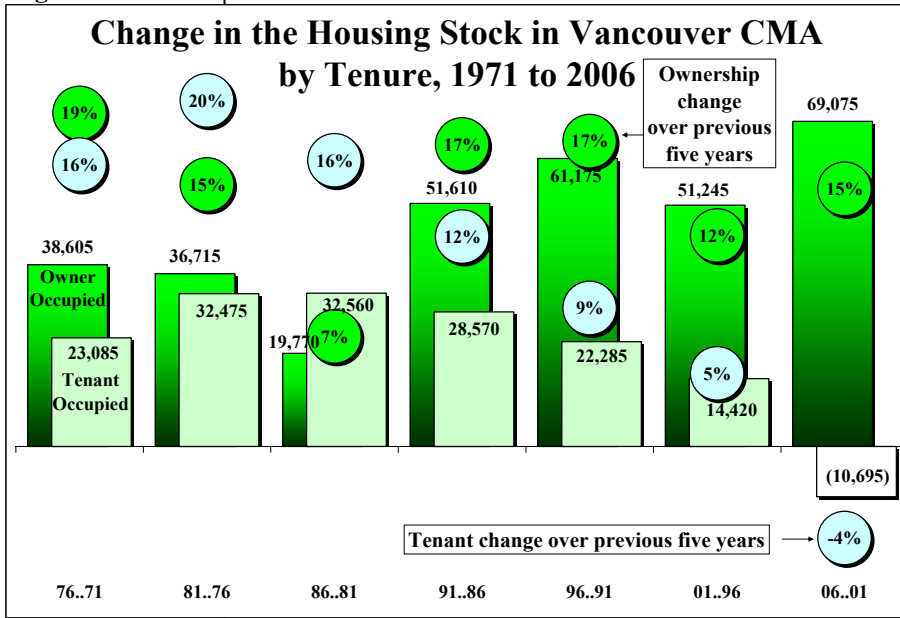


That said, let's begin with looking at the changes on a tenure specific basis. The percentage of all occupied, owner occupancy dwellings has seen an increase since the mid 1980's, with a record 65 percent of all households (531,720) owning the dwelling they lived in (Figure 2). Conversely, the share of households who rent their dwellings reached a record low of 35 percent (285,045) by 2006. A close examination of Figure 2 shows that while the total number of owner occupied units increased continually over the 1971 to 2006 period, between 2001 and 2006 the number of occupied rentals fell over this period: from 2001 to 2006 the number of tenant occupied units declined by 10,695, from 295,740

to 285,045 units. Before attributing all of this loss to the conversion of rental apartments to ownership condominiums, it is essential to determine where this change occurred.

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Vancouver CMA**

Figure 3



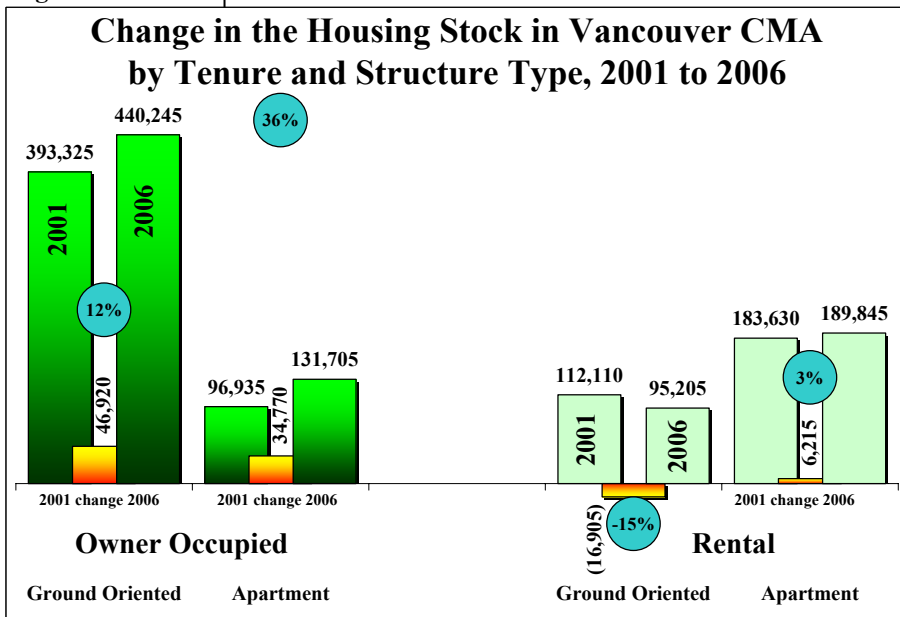
In considering the change in the housing stock over each Census period back to 1971, we see the recent decline in the number of tenant occupied dwellings reflects a continuation of slowing growth that has been apparent since 1981 (Figure 3).

Contrasting the slowing growth in tenant occupied units, the increase of 69,075 (15 percent) in the number of owner occupied households over the 2001 to 2006 period is the largest absolute increase recorded. Although it is a relatively low percentage increase (15 percent) when considered against the 17 percent increase of the 1986 to 1996 period or the 19 percent increase seen in 1971 to 1976.

Given significant additions to the apartment stock in all municipalities over the past decade, it should come as

no surprise that owner occupancy apartments demonstrated the greatest percentage increase over the 2001 to 2006 period (36 percent) as it grew from 96,935 dwellings in 2001 to 131,705 by 2006 (Figure 4). While recording a much more modest increase, the number of rental units in apartment buildings also increased, by three percent (6,215 units) over the same period.

Figure 4



Growth on the apartment side of the market (both owned and rented) would therefore indicate that the entire decline in rental housing was seen in the ground oriented housing sector: between 2001 and 2006 there were 16,905 (15 percent) fewer ground oriented rental units occupied in the Vancouver CMA.

Thus it would appear that the “hot” housing market and low interest rate environment over the past five years was sufficient not only to ensure continued growth in supply of rental apartments, but also to augment the growth of owner occupancy in ground oriented housing; both growing in part from the conversion of ground oriented

rental units to owner occupancy. The annual rent for a small single detached rental unit that might have represented a good return in 2001 was not sufficient enough by 2006 to compete with rapidly increasing land values. By 2006 the asset price of many older homes far exceeded their value as a rental investment.

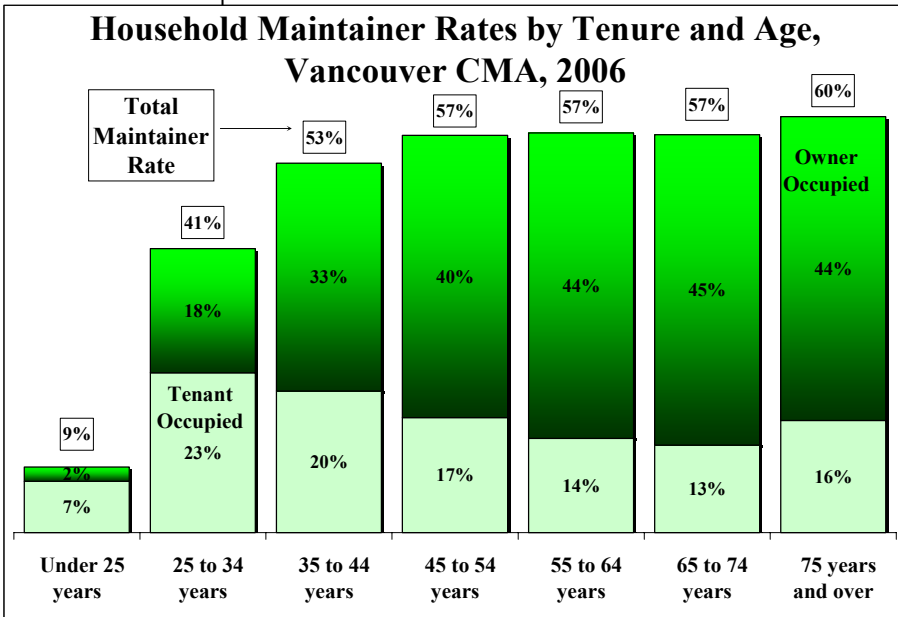
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The greatest absolute growth in housing occupancy in the region was the 46,920 unit (12 percent) increase in the owner occupancy of ground oriented units; a growth met in part by construction of new ground oriented units and by the conversion of ground oriented units that were previously held as rental units (either directly or by way of renovation or redevelopment).

These patterns of occupancy represent shifts in demand, either through changes in behaviour (for example, a change in the propensity to be an owner as a result of falling interest rates) or changes in demography (for example, an aging population). It is useful to consider the relative role that each of these elements played in shaping the changes experienced in the region's housing market. In this context, housing market changes are best captured by considering age specific patterns of housing occupancy, or age specific household maintainer rates (the percentage of people in each age group who maintain, or are financially responsible for, those living in a dwelling of a particular type).

Figure 5 shows the strong lifecycle pattern of maintaining a household with increasing age. While only nine percent of the 15 to 24 year olds in the region were household maintainers, by the 25 to 34 age group the proportion had increased by 41 percent. By the age of 45 to 54, this has further increased to the 57 percent range, which was maintained until the 60 percent maintainer rate level was reached in the 75 plus age group.

Figure 5



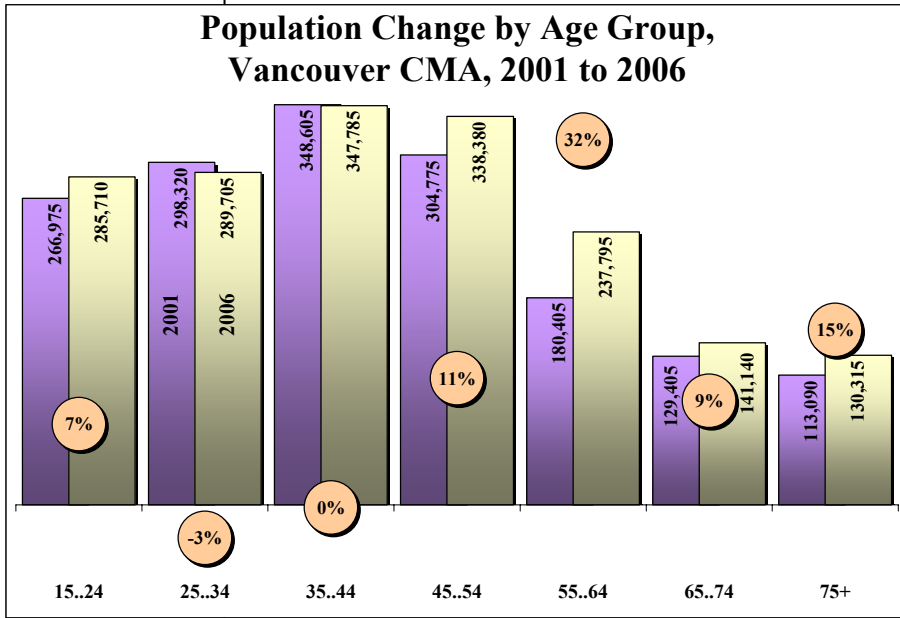
Within this overall pattern there are also distinct patterns for each type of tenure. The propensity to maintain a household living in rental accommodation is highest (and increases most rapidly) in the young adult stage of the lifecycle, from seven percent of the 15 to 24 year olds maintaining households living in rental accommodation to 23 percent of the 25 to 34 year olds. From this age group on, the age specific rental maintainer rate declines towards a low of 13 percent seen in the 65 to 74 age group before climbing slightly to 16 percent for the 75 plus age group.

percent for the 75 plus age group.

This pattern is contrasted by that of owner occupancy, as it changes throughout the lifecycle, increasing by only two percent for the 15 to 24 age group, to between 44 and 45 percent of the 55 and older age groups. In the 55 to 74 age groups, the propensity to maintain owner occupier households is almost three times that for rental occupancy. Thus, from a demographic perspective, the past five years represents a period where the population is increasing most rapidly in the older age groups (45 to 74), a stage in the lifecycle where the propensity to rent is declining and is almost a third that of owner occupancy. It is therefore reasonable to anticipate that the demand for rental occupancy will increase at a much slower pace than demand for owner occupancy.

This pattern of change describes what was revealed by the Census housing figures. Over the 2001 to 2006 period the region's population grew by seven percent, from 1,986,965 people in 2001 to 2,116,580 by 2006 (Figure 6). The population in the age groups with the highest

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Figure 6

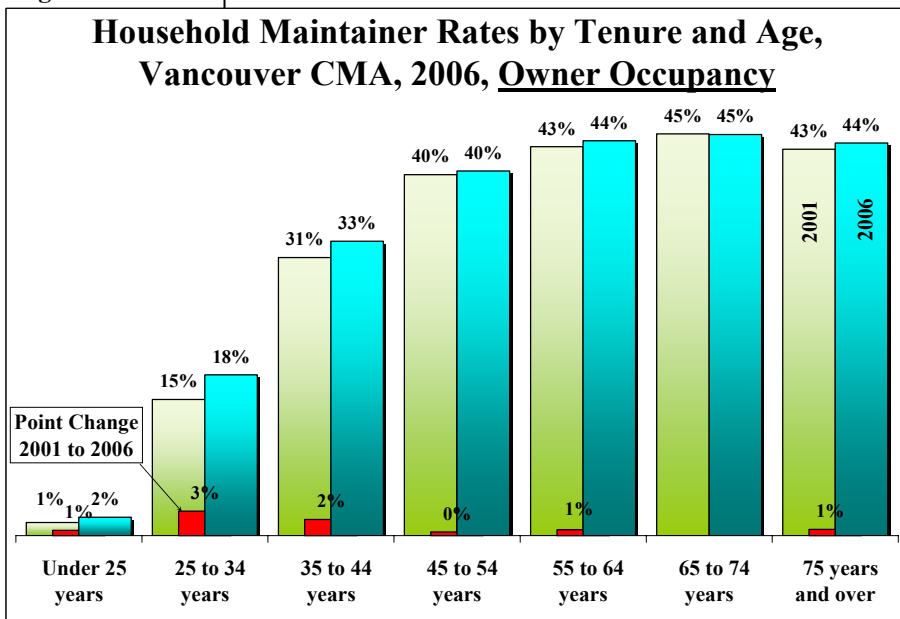


propensity to maintain rental accommodation actually declined during this period, with the 25 to 34 age group dropping from 298,320 people in 2001 to 289,705 in 2006, an 8,615 person (three percent) decline. In contrast, the 45 and older age groups, where the propensity to maintain owner occupancy households is the greatest, all increased substantially in both absolute and relative terms: growth rates for these age groups ranged between nine percent (65 to 74 population) and 32 percent (55 to 64 age group). Overall, the population in the 45 and older age groups increased by 119,955 people while the 25 to 44 age group declined by 9,435.

On a demographic basis, this is a clear recipe for demand for owner occupancy to increase much more rapidly than demand for rental accommodation - if the propensity to maintain households (i.e., behaviour) remains constant.

However, behaviour, at least with respect to housing occupancy, did not remain constant over this period. In almost every age group the propensity to maintain a household in owner occupancy

Figure 7



increased between 2001 and 2006, with the only exception being no change in the 65 to 74 age group (Figure 7). People of almost any age are more likely to be owner occupiers now than they were in 2001, thanks to a housing market that responded to their marked expressed demand.

In contrast, in every age group the likelihood that someone maintained a household living in rented accommodation declined. Interestingly, the decreases in rental maintainer rates were generally matched by proportionate increases in the corresponding age groups for owner occupancy. Thus, one could generally conclude that housing market activity – active development and low interest

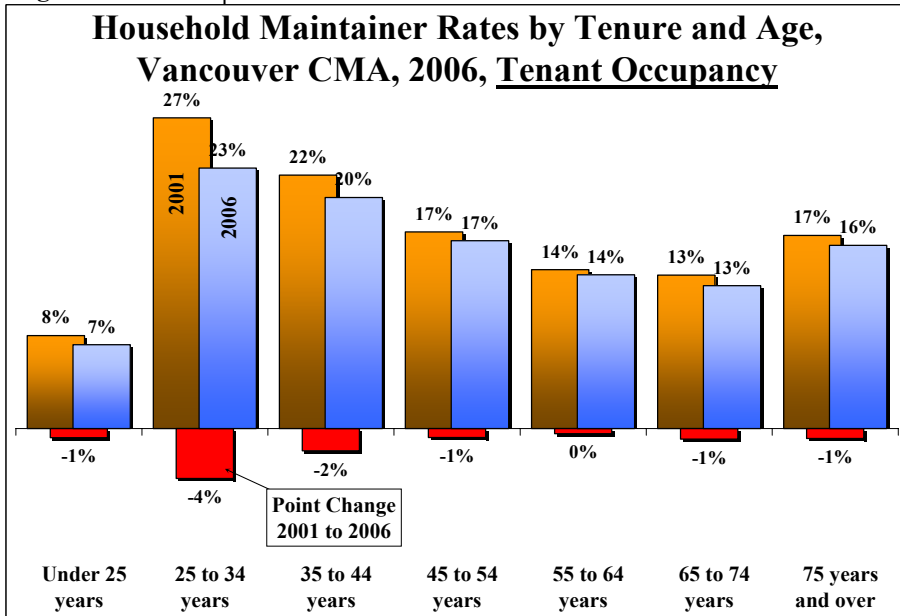
rates – created an environment over the past five years where owner occupancy became a reality for people who would otherwise have been tenants.

One of the consequences of these circumstances was a decline in the number of rental units demanded, the combined result of a demographic shift away from age groups with high rental propensities towards those with high owner occupancy propensities, and of a behavioural shift (albeit it marginal) away from rental, and towards ownership.

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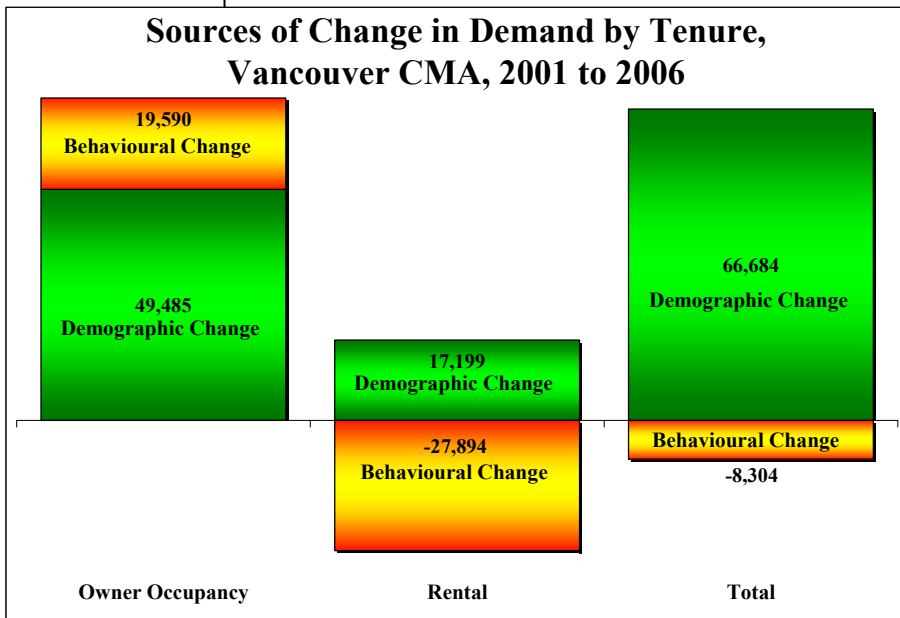
The relative magnitude of the contribution that demography and behavioural change made

Figure 8



towards the growth in demand of owner occupied accommodation and the decline in demand for rental can be easily determined by holding one variable constant over the 2001 to 2006 period. Given the demographic change that occupied the region from 2001 to 2006, if behaviour (the age and tenure specific maintainer rates) were held constant at their 2001 levels, there would have been a demand for 49,405 more owner occupied dwelling units and 17,199 more tenant occupied units. Therefore, given the actual increase of 69,075 owner occupied units, the shift in maintainer rates towards owner occupancy added additional demand of 19,670 owner occupied units.

Figure 9



constant, population growth and change in the region would have resulted in the demand for rental units increasing by 17,199 units between 2001 and 2006.

Holding rental maintainer rates constant, population growth and change in the region would have resulted in the demand for rental units increasing by 17,199 units between 2001 and 2006. However, the reduction in maintainer rates for rental occupancy in all age groups reduced the demand for rental accommodation by 27,094 units, offsetting the increase of 17,199 that would have resulted from demographic change alone. Behavioural change therefore increased ownership demand by 19,590 units and reduced rental demand by 27,894 units, a net difference of 8,304 fewer rental units.

While changing demography and behaviour are two large drivers to the patterns of housing change in the region, many other factors may also be contributing to the patterns exhibited in the most recent Census data.

A few examples would be: as owner occupier households typically have more people living in them, two singles could each give up their own rental apartments to collectively become a household owning an apartment (thereby making two fewer rental maintainers and only one more owner occupier), kids are typically leaving home at a later age (and hence not maintaining the typical entry level rental suite), and as male life expectancies increase faster than females, there will be an increase in older couples in owned, empty nests relative to single widows in a rental apartments. While these fascinating topics certainly warrant further discussion, they must alas be left for another report.