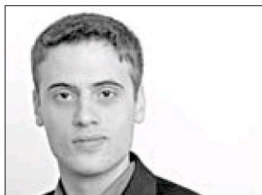


# New condos would help solve the city's rental crisis



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With a vacancy rate of 0.3 per cent, it's clear Victoria has a housing crisis. But the city's response will only make matters worse in the long run.

Earlier this month, the City of Victoria drafted a housing emergency bylaw, which, if passed, will ban the demolition of residential buildings with four or more units — unless the building is unsafe or the owner plans to build subsidized rental or affordable housing units on site.

The idea behind the bylaw is well-intentioned. With so few rental units in the city, it makes sense to hold on to the housing stock that we have. The bylaw will likely help the

situation in the short term by making sure the level of rental housing stays constant.

But ultimately, the 0.3-per-cent vacancy rate can be explained by supply and demand. The demand for housing in Victoria is very high right now — we have a beautiful city with a strong economy, so it's no surprise that lots of people want to live here. The region's population is growing by more than 3,000 people per year.

But despite rising demand, the supply of new housing is decreasing. According to the Canada Mortgage and Housing Corp., total housing starts in Greater Victoria — the number of new homes being built — decreased in 2007 and is expected to fall again this year. Multiple-family housing starts, which include new apartment buildings, are expected to fall more than 20 per cent both this year and next.

With an increasing demand for housing in Victoria, but with falling supply, it's no wonder that our vacancy rate is so low. The solution to the housing crisis is simple —

increase the housing supply. With more bedrooms available, the vacancy rate should fall. As the number of units on the market increases, prices should also fall, as there won't be as many other people competing to buy or rent the same place.

Victoria needs to encourage the development of new housing, but its proposed bylaw does the opposite. By placing heavy restrictions on new housing development, the city will make it less attractive for developers to build new housing and increase the number of bedrooms in the city.

Think about it from a developer's point of view: If you have a chunk of cash to inject into developing new condos, you're going to build wherever you can make the biggest profit.

And if Victoria requires you to sell your new building as affordable housing at lower prices, you're going to look elsewhere.

On the other hand, if Victoria were to relax its zoning bylaws to make it more attractive for developers,

we'd see more buildings popping up. Some people are concerned that without a bylaw, these buildings might be expensive condos as opposed to rental housing. That's very likely, given the amount of money that can be made selling condos.

But new condos should have a trickle-down effect on the rental market. Some people who move into new condos will move out of rental properties, freeing these for new renters. And some people who purchase new condos will rent them out.

If Victoria's bylaw passes, we'll see rental units stay constant. But it won't solve the problem — only increasing the housing supply will decrease the vacancy rate and drive down rental prices in the long run.

Unfortunately, the strict rules included in the bylaw may be enough to drive developers elsewhere.

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