

Home buyers join downsize trend

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Home builders are finding that people confident enough to buy homes in the recession-weary market are unwilling to let their homes be a ball and chain.

As a way of life, house-rich/cash-poor is on its way out; caution and downsized expectations are in.

As the yuppie era with its overextended credit cards becomes a bitter memory, buyers reluctant to stretch their budgets to the limit to buy the biggest, best homes they can are affecting the kinds of products that builders offer.

The phenomenon has not yet been particularly noticeable in the hot B.C. market, but it is forcing market changes in parts of Ontario and Quebec.

Toronto-based Alterra Developments Ltd., for example, could lure only five of an expected 60 buyers to sign the dotted line for its \$232,900-plus luxury homes (3,000 square feet) on 60-foot frontage lots in its Meadowlands subdivision in Ancaster, about an hour's drive west of Toronto. The company went back to the drawing board, rejigged its designs, and its Phase 2 now offers smaller homes (1,800 to 2,600 square feet), on smaller lots (40-to-45-foot frontages), with prices as low as \$159,900.

In the Montreal area – already a big-city mecca for affordable housing, with average prices less than half those of Toronto's – builders are making their offerings even more affordable, pushing semi-detached homes and rowhouses.

Last year, according to Canada Mortgage and Housing Corp., 2,142 semi-detached homes and rowhouses were built, up from only 1,169 starts in 1990.

Alex Werzberger, a rowhouse builder with Dilex Development Inc. in Montreal, says Montrealers have tightened their purse strings so much that \$125,000 seems their ceiling price for a new home in the east or west ends of the city – with anything over that considered luxury class. Five years ago, \$130,000 was the cut-off point for a low-end home.

People want to keep their money in reserve, Mr. Werzberger said. "They won't spend every cent. If they have 25, they'll spend 20."

In Ottawa, a report by Brethour Research Associates commissioned by the Regional Municipality of Ottawa-Carleton, also showed that people's housing priorities have changed dramatically from the not-so-distant days when bigger was better.

With the region's resale and new housing market in decline, down from 13,470 units in 1988 to 10,477 in 1991, the municipality wanted to find ways to spur buying.

The survey yielded surprises. Despite the fact that two-thirds of respondents had combined family incomes between \$40,000 and \$80,000, the most sought-after home was a modest single-detached with a one-car garage and eat-in kitchen priced at about \$120,000 – priced far lower than many could have afforded.

"For some of these people, it wasn't a question of affordability, it was a question of what they wanted to spend," said Brethour housing analyst Ron Desjardins.

Location was the most important feature singled out by the 153 respondents, ahead of house size, interior layout, lot size and community appeal. They would trade higher density for lower prices, and wanted to stay in the area in which they currently lived, be within a greenbelt, and be not more than 20 kilometres from work.

The success of the Grow Home concept a two-bedroom home generally 15 feet wide by 30 to 36 feet long – is likely the best example of people's lowered expectations in housing.

Since the concept was introduced a few years ago by McGill University architecture professors Avi Friedman and Witold Rybczynski, more than 1,000 Grow Homes have been built in the Montreal area. They generally sell in the \$75,000 to \$85,000 range. Most are sold as condominiums to get around zoning bylaws that forbid narrow front row housing.

Grow Home projects have also been undertaken in the Sudbury, Quebec City and Ottawa areas.

Banking on the Grow Home's popularity, McGill has established a company called North American Grow Home Ltd. to negotiate with builders who would pay royalties of \$250 a unit to use the Grow Home name, now a registered trademark in Canada and the United States.

Proceeds would go for McGill's housing research. Builders as far away as B.C. have expressed interest.

Mr. Friedman is also approaching Canadian manufacturers interested in buying exclusive rights to make a prefabricated version of the Grow Home for domestic use and possible export. last year, McGill's architecture department conducted a CMHC-sponsored study of 196 Grow Home buyers and found two-thirds had incomes above \$40,000.

By buying houses for less than their potential buying power, people are leaving themselves a safety net, and the opportunity to spend disposable income on other things, Mr. Friedman observes. "This is a fundamental change in the way we perceive consumerism."