

# Intelligence MEMOS



From: Edward Glaeser  
To: Canadians Concerned about Housing Prices  
Date: March 3, 2020  
Re: **SOLVING THE HOUSING PRICE CRISIS, PART I**

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The housing market is rigged against millennials, and it's the supply side that needs to change.

Toronto's high housing prices are driven partly by the fact that Toronto is a world-class city. The robust demand for space in the city is because it's an exciting, economically vibrant, culturally wonderful place to be. But prices are formed by the twin scissors of supply and demand, and just because you have robust demand for something, it does not mean it needs to be expensive.

If Toronto built more housing, if it supplied more space, if it eliminated the public regulations that make building difficult, Toronto could be a place that was much more affordable than it is currently.

We know how this can work. In the 1920s, New York City built 100,000 units a year and it remained a city that was affordable, despite one of the great urban booms of all time. Within the US context, we see growth in places like Texas where cities like Dallas and Houston are also world-class cities, but they're world-class cities that make it very easy for private developers to deliver homes for ordinary, middle-class people and they make sure that their areas are inclusive as well as economically vibrant.

Three types of areas are present in a typical American city, the first of which is traditional urban brownfield sites. These are the easiest to develop, because people are happy to tear them down. The mission of city government in those areas is to permit as much density as the market will bear, and not to get in its way. Government can tax the increased density, but make the permitting process smooth, seamless and predictable to encourage development. Brownfields also tend to be politically feasible. Toronto's Sidewalk Labs is an example of where developers can really drive change.

It is much harder, in suburban areas, our second class of lands, where there are battles over density in both greenfield and infill development. Neighbours have a lot of trouble with increased density. That density doesn't typically look like skyscrapers. It might look like attached housing, or row housing. In most parts of the US, and Canada as well, it will still involve car-oriented living, but slightly more compact. However, this still feels more difficult than allowing more densification in brownfields areas, although it is sometimes doable.

The third areas are those currently built out, and you ask yourself how much more infill can you allow. That is relevant for older suburbs and neighbourhoods with single family detached housing, and where even in-law apartments are controversial. I tend to be in favour of allowing more of that activity, but I have trouble seeing how they will significantly create new space.

Another example is areas in which you have five-storey buildings and are trying to make it easier for people to build 30-storey buildings. Those fights are very, very hard and not ones in which you should waste scarce amounts of political energy.

These are some of the problems facing those trying to break into Toronto's overcrowded housing market. Tomorrow, we address the solutions.

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