

BUILDING KNOWLEDGE

September 2019



Property Values Case Study Series

Exploring the Impacts of Non-Market Housing on Surrounding Property Values – Overview Report

BC Housing engaged Insight Specialty Consulting to research the market impacts of the introduction of non-market housing into a neighbourhood. Thirteen sites were selected from across B.C. representing a range of BC Housing-funded sites.

This report summarizes the key findings of 13 case studies to draw conclusions about the impacts of non-market housing on surrounding property values.

A full technical report is also available, including a more detailed methodology, as well as key findings related to residential sale prices and assessed commercial property values: www.bchousing.org/research-centre/library/community-acceptance

Introduction

When new non-market housing is announced, neighbours often ask about the impacts on surrounding property values.

By looking at the question, “does non-market housing impact neighbouring property values?” this research explores median assessed residential property values for the most common residential type surrounding the case study sites (see text boxes for further information). In addition, other factors such as land use changes, availability of services, and local and broader economic changes are considered.

Those engaged in the development process can use this research to answer questions from neighbours about property value impacts.

Key Findings

For the majority of the case study sites, median assessed values for the most common residential form in the areas surrounding the case study sites were consistent with or grew more than trends for the surrounding municipality. This suggests non-market housing does not have an impact on surrounding residential property values.

Geographic Area References

0-200m area surrounding the case study site
= **immediate area**

0-500m area surrounding the case study site
= **neighbourhood**

What is Non-Market Housing?

Non-market housing covers housing along the housing spectrum, ranging from supportive housing for those experiencing homelessness to affordable rental housing and affordable home ownership.



SURROUNDING 0-200M AREA COMPARED TO SURROUNDING MUNICIPALITY

Key Findings Regarding Median Assessed Values for the Most Common Residential Type Surrounding the Case Study Site Five Years Post-Opening*

- Eleven of the 13 case study sites saw increases in the assessed values in the immediate area, while two sites saw decreases.
- Four of the 13 case study sites' assessed values in the immediate area grew faster compared to similar housing in the surrounding municipality.¹
- Six of the 13 case study sites' assessed values in the immediate area mirrored trends for similar housing in the surrounding municipality.²
- Three of the 13 case study sites' assessed values in the immediate area did not keep pace with the trends of the surrounding municipality (two decreased slightly, while the surrounding municipalities increased slightly; one increased, but at a slower rate compared to the surrounding municipality).³

* The table shows the percentage changes from the year after opening to five years later for all case study properties. For properties that became operational in 2013 or after, 2018 is used as the end year. A five-year window is used to mitigate against the impact of external macroeconomic changes, in particular the 2009 global economic crisis.

Conclusions

- Case study site areas typically mirrored or surpassed municipal trends

The property values in the immediate area surrounding the cases study sites typically either mirrored or surpassed similar housing in the surrounding municipalities. This suggests the introduction of non-market housing, such as supportive or affordable rental housing, does not affect residential property values.
- Global and local economics are main drivers of real estate trends

Global and local economic factors are the main drivers of residential real estate trends rather than the introduction of non-market housing to the area.

What are the Median Assessed Residential Property Values in this Analysis?

Assessed values are assigned by BC Assessment and are based on market value. Market value is the most probable price at which a property would sell in a competitive market, if listed long enough to become generally known to real estate agents and prospective purchasers. It assumes that both the buyer and seller are willing (i.e. it is not a forced sale) and that both parties are prudent and knowledgeable. For more information, please see the Property Assessment Review Panel's glossary: <https://www2.gov.bc.ca/gov/content/housing-tenancy/owning-a-home/property-assessment-review-panels2/property-assessment/property-assessment-glossary>

Median assessed property values refer to the mid-point of the lowest and the highest observed value to measure the average. Median average is not as influenced by outliers as mean average.

For the purposes of this study, the median assessed residential property values were examined for the most common residential form surrounding the case study sites. In other words, if single detached homes make up the largest number of homes surrounding the case study site, the analysis looks at median assessed property values for detached homes. If stratified residential units make up the largest number of homes surrounding the case study site, the analysis looks at median assessed property values for stratified units.

¹ Faster pace refers to the median assessed values in the surrounding 0-200m areas that increased at a rate of over five percentage points compared to the surrounding municipality.

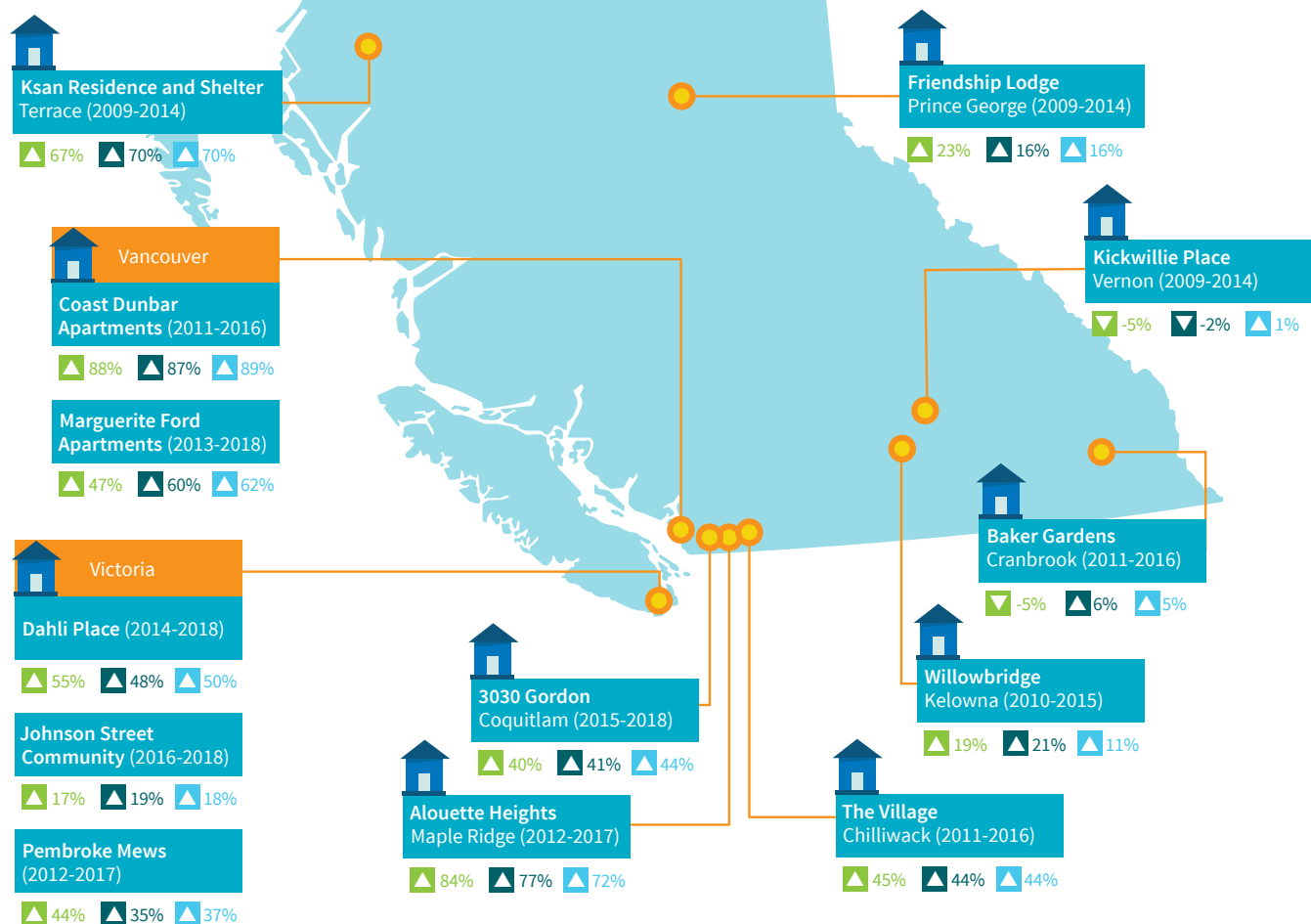
² Change to the median assessed values in the surrounding 0-200m was within five percentage points compared to the surrounding municipality.

³ Change to the median assessed values in the surrounding 0-200m increased or decreased and was at least six percentage points lower compared to the surrounding municipality change in the same time period.

Additional Information

CASE STUDY SITES	Municipality	Number of Units	Housing Type
3030 Gordon	Coquitlam	60	30 Transitional Housing Units and 30 Emergency Shelter Beds
Alouette Heights	Maple Ridge	46	Supportive Housing
Baker Gardens	Cranbrook	36	Low Income Seniors
Coast Dunbar Apartments	Vancouver	51	Supportive Housing
Dahli Place	Victoria	68	Market and Below Market(not subsidized) for Individuals and Families
Friendship Lodge	Prince George	30	Low Income Singles
Johnson Street Community	Victoria	147	Supportive Housing
Kickwillie Place	Vernon	40	Indigenous Families
Ksan Residence and Shelter	Terrace	24	8 Transitional Housing Units and 16 Emergency Shelter Beds
Marguerite Ford Apartments	Vancouver	147	Homeless Housed
Pembroke Mews	Victoria	25	Low Income (singles and couples)
The Village	Chilliwack	33	Supported - Homeless and Youth
Willowbridge	Kelowna	40	Supportive Housing

PERCENTAGE CHANGE IN MEDIAN ASSESSED VALUES FIVE YEARS POST-OPENING FOR MOST COMMON SURROUNDING RESIDENTIAL PROPERTY TYPE - ALL CASE STUDY SITES



Source: Landcor Data Corporation, 2018

Legend: 0-200m, 0-500m, Municipality (Years noted in labels represent reporting period)

PERCENTAGE CHANGE IN MEDIAN ASSESSED VALUES FIVE YEARS POST-OPENING FOR MOST COMMON SURROUNDING RESIDENTIAL PROPERTY TYPE - ALL CASE STUDY SITES^{4,5}

Case Study Site	Municipality	Years (Operational Start Date to Five Years Post Operational Start Date) ⁶	Surrounding 0-200m		Surrounding 0-500m		Surrounding Municipality	
			% Change in Property Values	Number of Properties ⁷	% Change in Property Values	Number of Properties	% Change in Property Values	Number of Properties
3030 Gordon	Coquitlam	2015 - 2018	40%	39	41%	361	44%	24028
Alouette Heights	Maple Ridge	2012 - 2017	84%	37	77%	290	72%	19423
Baker Gardens	Cranbrook	2011 - 2016	-5%	15	6%	324	5%	5492
Coast Dunbar Apartments	Vancouver	2011 - 2016	88%	147	87%	1074	89%	75312
Dahli Place	Victoria	2014 - 2018	55%	69	48%	356	50%	8857
Friendship Lodge	Prince George	2009 - 2014	23%	49	16%	355	16%	19072
Johnson Street Community	Victoria	2016 - 2018	17%	687	19%	2164	18%	16168
Kickwillie Place	Vernon	2009 - 2014	-5%	20	-2%	225	1%	9673
Ksan Residence and Shelter	Terrace	2009 - 2014	67%	39	70%	159	70%	3120
Marguerite Ford Apartments	Vancouver	2013 - 2018	47%	541	60%	3348	62%	102870
Pembroke Mews	Victoria	2012 - 2017	44%	21	35%	772	37%	16168
The Village	Chilliwack	2011 - 2016	45%	23	44%	158	44%	17009
Willowbridge	Kelowna	2010 - 2015	19%	23	21%	204	11%	27175

Source: Landcor Data Corporation, 2018

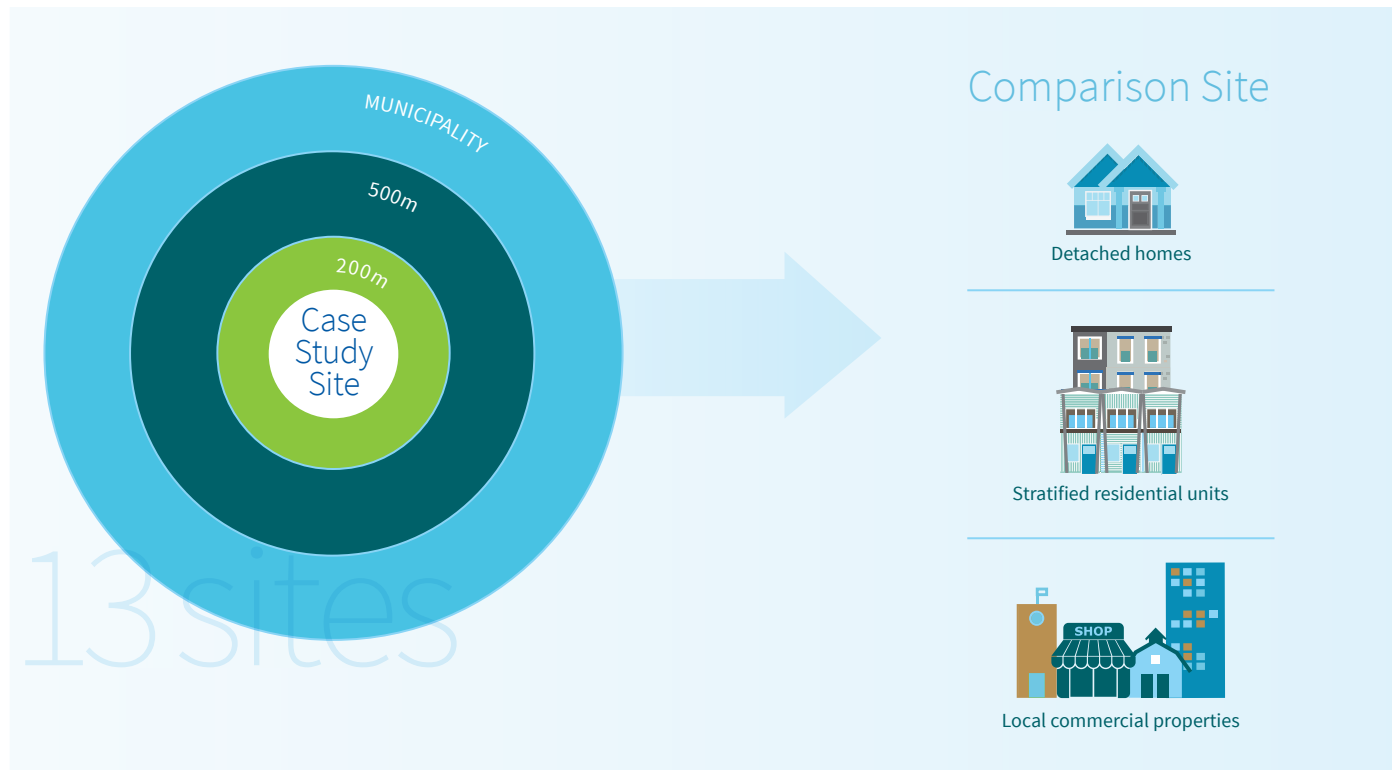
⁴ The most common surrounding residential property type is detached with the exception of Johnson Street Community, Marguerite Ford Apartments and Pembroke Mews for which the most common surrounding residential property type is stratified residential units.

⁵ Kickwillie's assessed values show a decline, but when looking at sales data for the slightly larger neighbourhood (0-500m), we see an increase that mirrored the municipal trend. Reporting with caution is recommended for Kickwillie's assessed values due to the significant difference between assessed and sale findings. Baker Gardens' sales in the neighbourhood did keep pace with the surrounding municipality, and while the assessed values in the immediate area did decline during the reporting period, the results were not notably out of sync with the trends of the surrounding municipality. The immediate area surrounding Marguerite Ford did see increasing assessed values but the increase did not keep pace with the surrounding municipality during the reporting period. By the end of the reporting period, however, the assessed values in the immediate area (which was in development during the reporting period) surpassed the values for the surrounding municipality.

⁶ When calculating percent changes for the years of analysis, the following year of assessment data was used, as the assessment refers to the property value of the previous year. For example, if a case study site opened in 2012, assessment data from 2013 would be compared to assessment data from 2018 to calculate the change over time. For sites not completed in time for the cut-off assessment year of 2018 (referring to 2017 values), data is provided up to 2018 assessment year, so may not contain five full years of trend data.

⁷ 'Number of Properties' references the number of assessed properties in the final year of the reporting period. This data contextualizes the assessment data by providing information about potential volatility due to small numbers of properties at some sites at the smaller geographic level.

RESEARCH METHODS




Data for this research was sourced through Landcor Data Corporation using data on assessed values. Key informant interviews were conducted with stakeholders, such as representatives from the non-profit housing provider, BC Housing, local governments, neighbours, and local real estate companies involved with the case study sites to provide context to the data. Three types of properties were examined: detached homes, stratified residential units, and local commercial properties. This summary report shows the key findings for median assessed property values for the most common residential type surrounding the case study sites. Trends for 0-200m, 0-500m, and municipality were compared to evaluate impacts of the introduction of non-market housing to an area. A full technical report showing a more detailed methodology and key findings for median residential sales and median assessed commercial property values is available at: <http://www.bchousing.org/research-centre/library/community-acceptance>.

Thirteen sites located across British Columbia in small and large communities were part of the research. These sites serve a variety of residents along the housing spectrum. The case study sites received differing levels of community interest and concerns when they were introduced. In common, they were all built in the past decade but all sites were constructed within a timeframe that allows for at least two years of analysis post-opening.

Assessment data is a suitable data source as values are updated annually and based on market transactions. They also reflect local conditions as property owners have the opportunity to inform BC Assessment of changes that could affect property values. Assessed values are based on the July 1, 2017 valuation date, and sales prices are current as of April 2018.

To determine factors driving the real estate markets in a selected community, the researchers interviewed key stakeholders and reviewed published information on communities. Some possible drivers include:

-  > General market movements
-  > Economic climate, and the strength of primary employers
-  > Gentrification of neighbourhoods
-  > Widespread rezonings or changes to character
-  > Introduction of other land, besides non-market housing
-  > Environmental factors such as flood zones, landslides, etc.

RESEARCH LIMITATIONS

The modelling selected detached homes, stratified residential units, and local commercial properties for evaluation. Other property types were considered for analysis but were rejected. It was inappropriate to examine them in this context for the reasons outlined below:

- > Rental apartments are purchased by investors who may not consider neighbouring uses except insofar as they affect rental revenue. The impact to market values for these assets is best considered in the rental value analysis. It is unlikely that there would be sufficient transactions to derive a conclusion.
- > Townhouse, duplex and triplex assets would either be considered in the stratified residential units grouping, or as rental apartments. It is unlikely that there would be sufficient transactions to derive a conclusion.
- > Schools, day-cares, hospitals, and other institutional property types do not transact on the open market, and as such would have no market response to non-market housing.
- > Large scale commercial and industrial assets are generally transacted for their income potential by purchasers who will not occupy the space directly. Therefore, their purchasing decisions are not as directly reflective of non-market housing. It is also unlikely that there would be sufficient transactions to derive a conclusion.



Alouette Heights, Maple Ridge

Other limitations include:

- › Sample sizes were small, limiting the ability to do regression analysis and standard deviation calculations. Based on the data available, a causal relationship between the introduction of non-market housing and property values cannot be made.
- › As mentioned, large scale commercial and industrial assets are generally transacted for their income potential by purchasers who will not occupy the space directly. Therefore, their purchasing decisions are not as directly reflective of non-market housing. This research includes analysis of smaller local commercial properties, however the limitation for larger commercial or industrial properties may still apply to this smaller more local commercial property type. Smaller more local commercial property analysis is included in this report, but should be analyzed with caution, as the businesses operating in these properties may be tenants rather than owners of the property. Exploring indicators beyond property values that may have informed impacts of non-market housing on local businesses is outside the scope of this research.
- › Observed sale and assessed value changes may have arisen due to compositional shifts in the sales/properties which make up the sample.
- › The data are not adjusted to account for differences in floor area between household units, thus larger homes can affect median value. For example, if a re-zoned single-family home which was originally valued at \$1 million, is redeveloped into a 10-unit residential property with each unit valued at \$300,000, this will bring the median assessed values in the area down, even though the land became more valuable and use was intensified, because there are more units at a lower median assessed value.
- › Assessed values are model-estimated using Computer Assisted Mass Appraisal (CAMA). This can lead to issues such as model smoothing, where the model used to generate the estimated property values constrains estimates into a range deemed appropriate by the modeler. This can cause systematic under/over estimation of values or lags in trends. BC Assessment periodically adjusts its CAMA valuation model. For example, though BC Assessment adjusts the system regularly, it made significant adjustments in 2016 to better reflect sales values. The model was not keeping pace with significant changes in sales values. Despite being more reflective of current sales trends, adjustments to the model mean there was a significant change in 2016 assessed values compared to the previous year in some areas of B.C. These changes were due to a time lag with the model. Case study sites with an analysis period over 2016 may be affected by this change.

More Information:

BC Housing's Research Centre works in collaboration with housing sector partners to foster excellence in residential construction and find innovative solutions for affordable housing in British Columbia. Sharing leading-edge research, advances in building science, and new technologies encourages best practice. The Research Centre identifies and bridges research gaps to address homelessness, housing affordability, social housing challenges and the needs of distinct populations. Mobilizing knowledge and research expertise helps improve the quality of housing and leads to innovation and adoption of new construction techniques, Building Code changes, and enhanced education and training programs. Learn more about the Research Centre at www.bchousing.org. Sign up to receive the latest news and updates at www.bchousing.org/subscribe.

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