ECONOMIC RESTRUCTURING AND HOUSING MARKETS IN VANCOUVER:
The Role of Secondary Suites

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INTRODUCTION

In the 1980s and 1990s, the city of Vancouver's economy underwent significant structural transformation – away from a reliance on its function as the hub of British Columbia's resources economy – to become a more economically diversified metropolis with a decidedly global outlook. Contemporary accounts of this process highlight, among other things, the conversions of industrial and commercial land and buildings in the city core to residential uses, as a "new middle class" of middle managers and high-order service workers came to value the proximity to employment and the cultural possibilities of a revitalized city centre (Ley 1996). But today this secular process of economic restructuring has surpassed a merely transitional stage, and the apparent consolidation of a new – and undoubtedly temporary – status quo invites a re-evaluation of the role of housing in the city of Vancouver's renovated economic structure.

An extensive literature has documented and sought to understand the transformation of countless North American central cities in the context of the deep economic restructuring that accompanied the demise of Fordism. One strand of this literature has sought to understand the emergence of a so-called urban underclass in the United States (Jargowsky 1997; Kasarda and Ting 1996; Massey and Denton 1993; Wilson 1996, 1987). A second strand falls under the rubric of what might be called gentrification studies, with a predominant focus on capital inflows to the central city and the escalation of housing prices and rents as well as changes in the class, ethnic, and even gender compo-

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sition of its residents – from rising proportions of young adults, artists, and middle-class households headed by the highly educated tertiary and quaternary sector workers of "the new economy" to a process involving the displacement of working-class and racialized residents (Blomley 2004; Brown-Saracino 2013; Curran 2004; Hutton 2004; Lees, Slater, and Wyly 2013; Ley 2003; Meligrana and Skaburskis 2005; Moos 2016; Newman and Wyly 2006; Skaburskis 2006; Slater 2006; Smith 1996). But poverty, marketization, finance, and demographics are not the only themes in this literature. The urban landscape has also been part of its empirical focus, centred primarily (particularly in the case of the gentrification strand) on the leisure and commercial fashioning of a "convivial city" characterized by a "culture of consumption" (Ley 1996, 333; see also, for example, Lloyd 2010).

By contrast, the relationship between the "post-Fordist" transformation of North America's urban economy and the physical transformation of many a central city's housing stock has received much less attention. The small body of work that takes this relationship seriously has focused variously on the renovation and "upgrading" of the existing residential built environment, the phenomenon of new-build gentrification – more recently in the form of what Rosen and Walks (2015) have called "condo-ism" – and the conversion of industrial, commercial, and even religious buildings into middle-class and upscale housing (Hackworth 2001; Harris 2011; Jager 1986; Kern 2010; Ley 1996; Lynch 2014; Mills 1991; Rose 2010; Zukin 1982).

While observers of the city of Vancouver's transformation have readily identified the condominium tower as the emblem of the metamorphosis of the built environment under a new economy (Harris 2011; Punter 2003), it is important not to lose sight of the fact that the residential landscape of Vancouver's central city is still dominated by detached houses (City of Vancouver 2009; Rosol 2015). Subdividing such houses has been a common practice for decades (Lauster 2016), leading to a proliferation of illegal (but officially tolerated) secondary suites. Known as accessory dwelling units (ADUs) in the literature, secondary suites are self-contained apartments created through the subdivision of detached houses (or even condominiums and townhouses), most often by retrofitting a basement to serve that end (City of Vancouver 2013; Mendez and Quastel 2015; Tanasescu, Wing-tak, and Smart 2010). In the city of Vancouver, such conversions are commonly carried out by homeowners without obtaining required permits (Mendez 2016). Homeowners often rent out these suites regardless of their legal status, deriving revenue that helps offset their mortgage payments.

In this article, I argue that these secondary suites are not simply a marginal type of housing available in Vancouver. Rather, secondary suites are highly significant to the city in that they provide an important infrastructural element in support of its restructured economy. I first provide an overview of the city of Vancouver's secondary-suite phenomenon. I follow this overview with a discussion of the city's restructured and globally connected economy, which leads, in turn, to an examination of the relationship between that new economy and Vancouver's market in secondary-suite rentals. I conclude by highlighting some important implications of these findings for the future of the city and its economic model.

VANCOUVER'S MARKET IN SECONDARY SUITES

Vancouver sits on what to date remain the unceded territories of the Coast Salish peoples (including Musqueam, Squamish, and Tsleil-Waututh First Nations). The city is the largest in its metropolitan region, which is composed of twenty other municipalities, one Treaty First Nation, and one unincorporated jurisdiction known as Electoral Area A. In addition, the region counts as a metropolitan body – known today as Metro Vancouver – with authority over the delivery of services such as drinking water, wastewater treatment, and solid waste management, as well as the regulation of air quality, the operation of a parks system, and planning for regional growth (Metro Vancouver n.d.a). There have been several attempts to coordinate economic development in the metropolitan region, but the lack of a provincially empowered, more muscular governance structure has meant that individual municipalities find themselves competing with each other to accommodate growth and to independently exploit development opportunities within their jurisdiction, despite a diversity of pro-growth and anti-growth coalitions governing the region's municipalities (Grant 2017; Peck, Siemiatycki, and Wyly 2014).

In recent years, the city of Vancouver has garnered national and international media attention due to its elevated housing prices. Housing prices are the result of a complex combination of factors that affect both the demand and supply for residential buildings, and that not only include the availability of capital but also subsidies, regulatory structures, taxes, local climate, socio-spatial features that limit the availability of land for development, and various cultural and ideological peculiarities of specific places at particular points in time. Nevertheless, two contradictory features stand out in the case of Vancouver and its metropolitan area: on the one hand, it is in this metropolitan region that the highest house prices in metropolitan Canada are found; on the other hand, the region is also characterized by having one of the lowest levels of income relative to house prices in the country. One recently published estimate placed the median house price in metropolitan Vancouver at $927,300 in the third quarter of 2017 and the median income at $73,400 – meaning that, to buy a house at the median price for the region, 12.6 median local incomes would be required. By comparison, the equivalent "median multiple" for metropolitan Canada as a whole was much lower at 3.9 (Demographia 2018).

A marked disparity between house prices and incomes has existed for over two decades and indicates that the residential real estate market in metropolitan Vancouver has long decoupled itself from the region's labour market (Ley and Tutchener 2001; Barnes et al. 2011). A financial institution recently reported that, "while average wages have increased 36.2 percent between 2001 and 2014, average home resale value in Metro Vancouver has risen by almost 63 percent over the same period. This issue is most stark in the city of Vancouver, where values have risen by 211 percent" (Vancity 2015, 3). The rental market hardly provides any succour to priced-out households: changes in consumer preferences, property titling laws, fiscal policy, financing practices, and building regulations over the past four decades have made it significantly more profitable for developers to cater to the ownership market (and especially the condominium market). Combined with a variety of landlord practices geared at skirting rent protection and tenants' rights legislation (O'Dowd and McComb 2017; Wilson 2016), these changes have resulted in almost no new construction of purpose-built rental housing in Vancouver since the early 1980s (City of Vancouver 2009). Vacancy rates in rental apartments are consequently much lower here than the Canadian metropolitan average (CMHC 2017a, 2017b).

Left unchecked due to a lack of sufficiently counterbalancing public interventions, these dynamics have led to a serious housing affordability crisis in the region's home-buying and rental sectors. It is in this context that secondary suites become highly relevant. Home buyers who are prepared to tolerate being a secondary-suite landlord at home can significantly increase their mortgage-carrying capacity thanks to the rental revenue from the suite, while suite renters benefit from an informal housing supply that tends to be lower cost than purpose-built rental housing and, in the case of the city of Vancouver, situated in geographical proximity to the largest labour market in the metropolitan region.

Secondary suites are of course not exclusively a Vancouver phenomenon. A cursory search on Craigslist classified ad websites reveals that secondary suites can also be found in numerous cities all over North America, where they tend to constitute a small proportion of the housing stock (see also Mukhija 2014; Pfeiffer 2015; Tanasescu, Wing-tak, and Smart 2010). But in the case of the city of Vancouver, where detached houses occupy 80.6 percent of the built-up area devoted to residential uses (Metro Vancouver n.d.b), secondary suites constitute a considerable proportion of the local housing stock. A 2016 report from Metro Vancouver estimated the number of secondary suites in the city of Vancouver at approximately thirty thousand units, meaning that about 10 percent of the city's households lived in secondary suites (Metro Vancouver 2016). For Metro Vancouver as whole, up to ninety-three thousand units were secondary suites, equivalent to about 29 percent of the total rental stock.

This unusual prominence of secondary suites in the local housing stock has multiple explanations. In the case of basement apartments in particular, Vancouver's geography is highly relevant. The city is exposed to large amounts of precipitation for most of the year and the resulting wet soil conditions discourage the digging of house foundations much beyond three feet below grade, which, in turn, makes basements protrude sufficiently above ground to accommodate windows and even outdoor access (Condon 2010). Another important explanation relates to the particular history of local efforts to regulate secondary suites. Widely regarded as uncontroversial nowadays, secondary suites were a contentious political issue in the region for many decades. For many homeowners the presence of secondary suites in their neighbourhood represented a threat to home values, and many owners of unauthorized secondary suites preferred the status quo to a legalization process that would increase their taxes. Other homeowners welcomed the possibility of deriving extra income from their property as long as it was legal to do so, and many renters preferred the opportunity to live in a detached-house neighbourhood and pay lower rents than in purpose-built rental complexes. Vancouver's City Council initiated attempts to regulate this type of housing out of existence on several occasions starting in the 1950s, but public opinion on the issue was so divided that such efforts repeatedly ended up in the adoption of enforcement exceptions, moratoriums on suite closures, and various other partial measures (City of Vancouver 2004, 2009).

In the meantime, the number of unauthorized secondary suites grew by the thousands as house prices began to spike in the 1970s. Over the next three decades, it gradually became clear to homeowners that the fear of a negative effect on house prices was unfounded and that it was becoming impossible for their adult offspring to afford a house in the neighbourhood in which they grew up unless they rented out a secondary suite in the property. A progressive softening of public attitudes towards the legalization of suites culminated in 2004 when, in response to the long-time advocacy of social organizations such as the Tenants' Rights Action Coalition and Smart Growth BC, and armed with results from a series of neighbourhood polls and community consultation exercises, Vancouver's City Council adopted bylaw changes that legalized the existence of one secondary suite per house in practically all areas of the city previously zoned for single-family dwellings. Council also relaxed applicable building bylaws to make it easier for homeowners to build conforming suites. While suites that did not meet the relaxed building bylaws would continue to be regarded as illegal, Council also agreed not to enforce these regulations unless renters or neighbouring households filed a complaint (Mendez 2017; Mendez and Quastel 2015). In 2009, Council authorized the construction of so-called laneway houses in most areas of the city zoned for detached housing. (A variation on the secondary suite, laneway houses are single self-contained detached units built at the back of a detached-house lot.)

One of the main arguments in favour of secondary suites concerns the role they play in the supply of lower-cost rental housing in the city. City of Vancouver planners have found that secondary-suite renters represent a diverse population that includes people of all ages as well as all kinds of household configurations, including families with children (City of Vancouver 2009). What this highly diverse population of renters typically has in common, however, are low incomes and, given the highly privatized housing system, few local housing options (the City of Vancouver [2017a] reports that, in October 2016, the vacancy rate was 0.8 percent on a stock of 57,343 purpose-built rental apartments and row house units). The scarcity of formal rental apartments in the city plus the fact that secondary suites typically rent for one to two hundred dollars less than an apartment in a walk-up rental building (CMHC 2013) are two key factors that ensure that lower-income households constitute a ready demand for secondary suites.

Until the mid-2000s, when City Council introduced its new secondary-suite regulations, house basements in Vancouver were generally not built with the expectation that they would be used as separate self-contained apartments. As a result, retrofitting a basement into a rentable space usually requires a considerable amount of work, investment, and expertise on the part of the homeowner (Mendez 2016). More often than not, homeowners undertake this work under the table, without obtaining proper permits or adhering to building code standards in order to reduce costs. This means that secondary suites rarely conform to zoning ordinances (particularly when more than one unauthorized suite is built inside the main unit), building code standards, or municipal requirements to obtain a rental occupancy permit (Mendez and Quastel 2015). For this reason, the results of retrofitting these spaces vary enormously. Some suites are built in ways that provide great living spaces, with brand new appliances, decent ceiling heights, well laid-out partitions, and so on. Unfortunately, secondary suites can also be severely substandard: inadequately small, dangerous due to bad electrical wiring, with poor ventilation and insufficient natural light due to low ceiling heights and a lack of windows, and unhealthy due to mould accumulation (especially when they are built through the inexpensive retrofitting of house basements). And yet, despite the risk of a proliferation of substandard housing in the form of illegal suites, city authorities have adopted an official policy of tolerating unauthorized secondary units, agreeing not to investigate or intervene unless an affected neighbour or tenant files a complaint at City Hall (Mendez and Quastel 2015). Renting a secondary suite is a relational practice that both enables and constrains everyday life: it enables some middle-income households to save money for a down payment and many low-waged workers to live close to their sites of employment, but some among the latter can end up feeling trapped in substandard housing because of the higher cost and low availability of other options.

GLOBAL CONNECTIONS: VANCOUVER'S ECONOMY IN THE TWENTY-FIRST CENTURY

Like the other municipalities in the metropolitan region, the city of Vancouver has come to fully adhere to the sort of dynamics associated with entrepreneurialism in urban governance (Harvey 1989). Entrepreneurialism here refers to a political and ideological commitment by local authorities to assign the highest policy, regulatory, and public investment priority to efforts to shape the local economy in such a way as to increase its competitiveness in regional and even global markets for labour, capital, and other economic resources. Over the past two decades or so, Vancouver has actively participated in this game (Barnes et al. 2011; Berelowitz 2006; Olds 2001; Peck, Siemiatycki, and Wyly 2014). Signs of success can be found in the city's consistent placement in top positions on many urban livability rankings and the constant flow of local and foreign municipal officials, architects, and urban consultants in and out of the city, reflecting in both cases the high level of visibility it has acquired in the global metropolitan system (Economist Intelligence Unit 2016; McCann 2013, 2011).

This international visibility is increasingly important to the city as its economic structure in the twenty-first century has become largely oriented to – and therefore highly dependent on – the global arena. The trend away from a reliance on the province's staples economy has continued to characterize Vancouver's economy in the past two decades, even as the province remains highly dependent on resource extraction (Barnes et al. 2011; Hutton 2004). An important aspect of the city's economic diversification has been a more global orientation, evident in the growth of such industries and economic activities as freight, warehousing, and transportation associated with the Port of Vancouver; tourism; creative-industry niches; the settlement or circulation of transnational migrants; and the attraction of external investment. The Port of Vancouver, for example, has helped to turn Vancouver into a major linkage point for international trade between North America and the rest of the world, particularly the rapidly growing economies of China, India, and other Asian countries (Port of Vancouver 2015). A recent study (Intervistas Consulting 2013) has quantified the economic impact of the Port on Metro Vancouver at $7.4 billion in economic output and thirty-five thousand direct jobs (plus tens of thousands of indirect ones).

The growth of tourism and the film and television production industries is also noteworthy. Tourism in Vancouver has been boosted over the past decades by the hosting of highly visible mega-events and world summits – from the 1996 International Conference on AIDS to the meeting of heads of state of the Pacific Rim nations at the 1997 APEC summit, and from the World Exposition in 1986 to the Winter Olympics of 2010. These events have contributed to Vancouver's global visibility, helping to attract millions of tourists to the city. According to Tourism Vancouver (2016), more than 10 million visitors from Canada and abroad stayed overnight in metropolitan Vancouver in 2016. In addition, Vancouver is known as Hollywood North for the important role it plays in the North American film and television industry. The industry attracts large amounts of investment to the city and province, both from domestic and foreign sources. For the 2014–15 fiscal year, film and television production spending in British Columbia exceeded $2.6 billion; spending by foreign television production reached $874.6 million (Bailey 2016). Until 2012, moreover, the city was also a global powerhouse in video game development, with transnational video game corporations setting up important studios in the city and larger media companies from around the world routinely buying out local startups (Barnes and Coe 2011; Barnes and Hutton 2009; Siemiatycki, Hutton, and Barnes 2016).

Another key source of Vancouver's economic activity over the past two or three decades relates to the scale of transnational migration to the city. From its inception as a settler colony, Vancouver has been shaped by transnational migration (Yu 2009). According to the 2016 Census, more than two-fifths (40.8 percent) of the metropolitan area's population was counted as immigrant (the total population figure was close to 2.43 million for metropolitan Vancouver and 618,000 for the city of Vancouver). This population is highly diverse in terms of countries of origin and ethnicities, although the largest share of migrants to Metro Vancouver (70.4 percent) came from Asia, notably from China, the Hong Kong Special Administrative Region, and India. East Asian migrants in particular often retain strong ties to their countries of origin, sustaining important human connections between Vancouver and that global region (Waters 2008; Ley and Kobayashi 2005). Immigrants also pay income and sales taxes and help to increase aggregate demand for consumer goods and housing thanks to their involvement in the local labour market and the savings they bring with them upon migration. The latter are particularly salient in the case of migrants who are admitted under federal or provincial investor/business immigrant programs: David Ley (2017) has estimated that, in the ten-year period between 1988 and 1997 alone, a total of $35 to $40 billion were available in liquid assets to this class of immigrants in Greater Vancouver.

A final crucial dimension of Vancouver's increasing global economic connectivity is the external investment that it attracts, particularly in relation to the city's property markets. For the past four decades, Vancouver's housing markets have attracted investors from outside the province and, notably, from outside Canada; in recent years, a low Canadian dollar has made local real estate particularly attractive to foreign capital, especially from the United States and China (CTV Vancouver 2016; Gillis, Sorensen, and Macdonald 2016; Hager 2016; Ley 2017). This external investment can take a number of forms, one of which is connected to flows of people through tourism and, especially, transnational migration (Ley 2010). Recent immigrants to Vancouver on average have a higher economic status than immigrants settling in other parts of the country as their purchasing power enables many of them to acquire homeownership in short order following their arrival in Canada (Mendez, Wyly, and Hiebert 2006). This is in part due to the fact that British Columbia receives a large proportion of the country's business class newcomers (34 percent between 1986 and 2011), and most of these migrants end up taking residence or setting up their Canadian pied-à-terre in Vancouver. In addition, there is the activity of external investors betting on real estate development in the city. This can happen through the setting up of developer companies locally with offshore capital or through foreign seed capital that is then leveraged by the local development industry (Cooper 2016; Trichur 2016). Both of these sources of external investment have helped to fuel a three-decade boom in the construction of residential condominium towers in the city. Finally, external investment in the local real estate market also takes place through the at times frantic buying and selling activity of external investors seeking to speculate in the city's housing stock.

The benefits of a buoyant real estate market spill over to mortgage brokers, property lawyers, builders and contractors, interior decorators, hardware stores, and many other economic actors. In a recent report, however, a prominent Canadian financial institution highlighted the macroeconomic risks that this implies when it noted that British Columbia is "the province most dependent on the housing sector" (RBC Economics 2016, 6). Some of this economic dependency has a known foreign dimension: according to provincial government figures reported in the local media for a five-week period in June–July 2016, close to 10 percent of the real estate activity in metropolitan Vancouver was the result of offshore investment (with figures rising to more than 17 percent in certain municipalities), and this does not include investment capital from other parts of Canada (CTV Vancouver 2016). One year after the introduction of a 15 percent foreign-buyers tax by the provincial authorities in August 2016, that figure had dropped considerably but remained significant at 5 percent (Hager 2017). External capital played a non-negligible role in fuelling extraordinary real estate price escalation between 2000 and 2009, then for a second time between 2011 and 2016, and once again since mid-2017, intensifying a process that effectively has priced out thousands of local households from the owner-occupied housing market (RBC Economics 2016, 2018).

ECONOMIC STRUCTURE AND SECONDARY SUITES

Vancouver's steady population growth and its relatively low unemployment rates would suggest that the city has successfully restructured its economy over the past three decades. Whereas jobs in the city were once closely tied to the resource economy of British Columbia's hinterland, employment today is more diversified as capital is induced to flow in from outside into the various economic sectors mentioned earlier. Services in particular have acquired increasing importance in Vancouver, but it is critical to recognize that this sector is a highly bifurcated one. Table 1 shows how the corollary of a large workforce involved in the construction industry and the so-called knowledge economy is a similarly large segment of the workforce tied to low-waged jobs in retail, the personal-services sector, and the leisure and entertainment sectors. As the numbers show, there is a stark difference in the employment income of the former (for whom median incomes are above the overall median for the metropolitan region) and of the latter (for whom the metropolitan region's median is well above their own). This inequity, not surprisingly, translates into tenure-based difference, as is indicated by the distribution of renters by occupation category represented in Figure 1.

Secondary Suites: From Stability to Instability

Creating and maintaining the city's image (and its potential to attract external investment) has most notably involved massive investments in transportation infrastructure, the enhancement of the public realm, and the pursuit of city branding exercises at the national and international levels. But efforts to keep Vancouver on the international investors' map also require two other more seemingly mundane things. First, a critical mass of consumers – including not only visitors but also local residents – with high enough disposable incomes to attend the festivals, shop at neighbourhood farmers' markets, and populate the cafés, restaurants, and outdoor patios that give Vancouver its character as what David Ley (1996) calls "a convivial city." Second, and just as important, there needs to be a large enough workforce willing to work in those bustling consumption amenities to keep the sector's wages low enough to sustain the profitability of those businesses. This low-waged workforce must be able to afford housing in sufficient proximity to such sources of employment. Secondary suites help fulfill both of these requirements by providing a supplementary source of disposable income for resident homeowners as well as lower-cost rental housing close to work for resident employees of the conviviality industry. This, in turn, helps minimize displacement of this workforce to the outer suburbs in search of affordable rents.

In this sense, secondary suites are an important element of the city of Vancouver's contemporary economy. The ability to gain access to the city's expensive "livability package" – homeownership combined with a leisure- and consumption-oriented lifestyle – is for many middle-class households closely linked to the rental revenue derived from secondary suites, which, as significant sources of rental housing, are themselves crucial for the supply of labour for the low-wage services economy that undergirds Vancouver's livability image. As Patrick Condon (2010, 105) explains, the city's secondary suite rentals reveal a new "economic ecology of the parcel, where neither the landlord nor the tenant could afford to live there without the other." The mainstreaming of Vancouver's secondary-suite rentals in the 1990s and 2000s provided a social and built environment that helped stabilize a restructured urban economy based on a splintered services sector and an outward-looking real estate market.

Massive intervention from all levels of government – federal, provincial, and local – was an equally important element in bringing stability to Vancouver's outward-looking restructured economy. For more than thirty years, federal and provincial governments (and to a lesser extent the region's municipalities) invested billions of dollars in economic development projects and infrastructure to help the region attract domestic and, especially, foreign investment, including funds for mega-events like Expo '86 and the 2010 Winter Olympics, rapid transit lines, and international marketing (Barnes and Hutton 2009).

But of course this economic stability is not without contradictions. First, by helping to increase the visibility of Vancouver, these investments contributed to the insertion of the city's residential real estate into the global marketplace – putting tremendous pressure on housing prices and rents. Second, the introduction of new zoning bylaws and building code standards at the local government level has made lending to new homebuyers with secondary suites more attractive to mortgage lenders: legalization reduced the risk of local authorities shutting down suites due to zoning, licensing, and code violations, and this, in turn, has given financial institutions more certainty when opting to count suite rental revenue as part of the mortgage borrower's income (Penner 2009). Since most households tend to finance a housing purchase with debt, a keen willingness by financial institutions to underwrite residential mortgages undoubtedly has added some fuel to the booming local housing market. Crucially, local government intervention has also included the official adoption of a policy of tolerance towards the widespread existence of substandard secondary suites (Mendez and Quastel 2015; Mendez 2017).

Such a combination of government measures has promoted and facilitated the practice of renting out secondary suites, giving middle-class households a supplementary source of disposable income while making it easier for low-wage service sector workers to rent housing close to their city jobs. In other words, these instances of local government intervention have helped to support the leisure and consumption sectors, which are central to Vancouver's image as a livable city and which are therefore also crucial to the city's ability to bring external capital into its residential real estate markets.

From Housing Crisis to Labour Crisis?

Rental supply measures adopted by city officials (and higher levels of government) over the past decade have so far failed to abate the "worsening housing affordability crisis" reflected in the dearth within city limits of affordable housing for low-wage and, increasingly, mid-income workers (City of Vancouver 2017b, 2). In this context, local government policies adopted to promote secondary-suite rentals can also help us understand the new kind of instability now facing Vancouver's economy: a housing crisis that threatens to trigger a labour crisis.

Secondary-suite rentals have historically been much less attractive to homeowners with high incomes who can afford a mortgage and for whom being a secondary-suite landlord-at-home may be too much of an inconvenience. (This may help explain why, as recently reported by von Bergmann [2018], secondary suites are the most common type of unoccupied dwelling structure in a city with such high housing prices.) Today, the detached-house market has become largely inaccessible to most but these wealthy households. House prices may be starting to reach levels at which rental revenue from secondary suites is insufficient to help the next tier of earners afford a new mortgage: in 2014, "mortgage payments on a newly purchased home [in the city of Vancouver cost] the average household almost 76 percent of its gross annual income" (Vancity 2015, 3). This means that, unless incomes rise dramatically and house prices stagnate or fall, the supply of secondary-suite rentals may itself begin to stagnate and put at risk the city's ability to retain the resident workers and consumers it needs to maintain its international status as a livable city.

Readily available data pertaining to this dual housing-labour crisis are in short supply, but those to which we were able to gain access are summarized in Tables 2 and 3 and Figure 2. The first thing to note from the data is the extent to which employment growth in the region's economy has been overwhelmingly driven by the knowledge and urban conviviality sectors, reflecting their enormous importance to the local economy. Between 2006 and 2016, the metropolitan area's workforce with employment income grew by 178,205 workers, equivalent to a 15.2 percent change (Table 2, percentage not shown). Of this, the combined contribution of the knowledge sector occupation categories was 48.9 percent, or eighty-seven thousand workers, while the equivalent figure for the construction and renovation, and the leisure and entertainment occupation categories together was 43.8 percent, or seventy-eight thousand workers (percentages not shown). Worth keeping in mind is the severe disparity reported earlier between the median employment incomes of these two broad sectors' respective occupations.

Table 3 hones down to the scale of the city of Vancouver itself, breaking down by dwelling structure type a net growth of over thirty-thousand units (equivalent to 12 percent) in the total housing stock over the same ten-year period. The stock of single detached houses saw a net drop of more than seven thousand units, reflecting the continuing densification of detached-house lots through the addition of secondary suites or through conversion of detached houses to multi-unit buildings. (It should be noted that laneway houses are counted as detached dwellings in the census.) The stock of units – primarily condominiums – in apartment buildings of all sizes grew by over twenty-five thousand, absorbing 82.6 percent of the net growth in the total stock. More significant for our purposes, however, is the contribution of secondary suites in meeting the city's demand for housing: 31.8 percent of net stock growth was captured by 9,715 units in detached houses with secondary suites (labelled "Apartment, duplex" in the table).

This shows the extent to which, despite its dynamism, the condominium market has been unable to keep up with growing demand – and how secondary suites have played a crucial role in filling the gap. Just over 28 percent of gross new units occupied by owners were in houses with secondary suites; the equivalent figure for units occupied by renters was

22.4 percent (Figure 2, percentages not shown). These figures suggest, on the one hand, that, without secondary suites, many homebuyers may not have been able to afford a detached home in the city without extensive sacrifice to their consumer lifestyles and, on the other hand, that a good number of workers in low-wage service occupations would have failed to find rental housing close to the city's urban conviviality jobs (recall that workers in these occupations make up an important share of the renter population).

Outward migration associated with housing costs is concerning enough to have been raised by city staff in recent years (City of Vancouver 2012, 2008). At risk is not only the retention of low-wage service-sector workers unable to find housing in close proximity to their urban conviviality jobs in the city but also, increasingly, that of mid-level workers across occupational categories for whom relocation may become the only way to attain homeownership (Siemiatycki et al. 2016; Sorensen 2015). A recent study commissioned by Vancity forecasted that, if current trends continue, by the year 2020 a stunning eighty-two of the eighty-eight in-demand occupations in the region will attract lower wages and salaries than what will be necessary to afford a standard mortgage on a resale single-family home; this includes "some very notable professions [such as] industrial electricians, civil engineers, construction managers, police officers, firefighters and general practitioners [i.e., non-specialist physicians]" (Vancity 2015, 7).

The wealth effect of rising real estate prices also threatens to intensify economic inequality at a time when socio-spatial income polarization in the region is itself becoming increasingly pronounced (Burnett 2014; Ley and Lynch 2012). At the same time, it seems plausible that the resulting popularity of Vancouver's secondary-suite market has rendered all house basements (and other potentially convertible home spaces) into a marketable real estate feature, euphemistically referred to as "income potential," even when such spaces have not already been retrofitted into a secondary suite. This market attitude would put home sellers in a position to capture, through their selling price, the future rents that buyers could possibly derive from an existing or potential suite. Unfortunately, a lack of data on the informal secondary-suite rental market makes this conjecture difficult to investigate. If evidence could be produced of a generalized folding of potential secondary-suite rental income into local house prices following the legalization of suites in 2004, it would help to explain why the impact of external real estate investment has not been circumscribed to luxury properties. Were that to be the case, the secondary-suite rental market's broad appeal would need to be seen as bearing some relationship to the rise in house prices in middle-income and even low-income neighbourhoods – at least insofar as house prices reflect a property's marketable features. To the extent that this pricing dynamic has become pervasive, the secondary-suite phenomenon would need to be recognized as one of the largely unexplored mechanisms by which high prices in the luxury real estate segment have been able to infiltrate the rest of Vancouver's market in detached houses.

CONCLUSION

The economic model that has come to characterize Vancouver increasingly relies on the creation of a bustling consumption-oriented landscape that helps to attract external investment into the city's economy and its real estate markets. I argue that, by treating secondary suites simply as a semi-autonomous housing submarket, commentators fail to appreciate how tightly integrated this phenomenon is with Vancouver's current economic model and its dependence on external flows of both capital and people. This relationship relies, first, on being able to retain a middle-income population with sufficient disposable income to help sustain the leisure and consumption sector and, second, on being able to retain a population of low-waged workers residing in close proximity to their service-sector workplaces. Achieving these two goals poses a dilemma because one goal pushes against the other. The mainstreaming of Vancouver's informal secondary-suite market provides a "Band-Aid solution" to this predicament by functioning as a vital infrastructure for the city's externally oriented economic structure. But the precariousness of this approach is palpable when we consider signs of a new type of instability – different from the instability that came from the city's economic reliance on British Columbia's staples industries in the postwar era – characterized by rising residential prices and rents that threaten the ability of middle- and low-income households to remain in the city.

This is not to say that secondary suites are the most crucial element in the city's economic structure but, simply, that their role is something that should not be ignored. Imagining this housing submarket as one that operates autonomously and separately from the rest of the local economy can blind us to the ways in which secondary suites reinforce Vancouver's dependence on value that is produced outside the city – and of the global and local inequality that is implicit to this model. While external capital is welcomed into the city's economy and its real estate markets, regardless of the conditions under which it was generated (Fumano 2016; Tanner 2018), the success of efforts to attract it puts pressure on land prices and makes housing increasingly unaffordable or unavailable, contributing to displacing people into the increasingly unequal suburbs or pushing growing numbers into homelessness (Metro Vancouver 2017). This implies two things: (1) that attracting external capital by pursuing and promoting a narrowly defined concept of livability makes residents vulnerable to the capricious nature of financial flows, and (2) that this economic model rests on the backs of residents who cannot afford homeownership and who, therefore, derive little benefit from this particular kind of external orientation in the local economy. And the external orientation of this housing market also poses significant economic risks, as commentators are quick to point out when they consider what might happen if external investors need to liquidate their Vancouver real estate investments en masse in order to strengthen their financial position at home – for example, if their home economies were to suffer a downturn (Gillis, Sorenson, and Macdonald 2016).

In this context, it is important to acknowledge the recent measures adopted at all levels of government in an effort to cool down housing markets and to make Vancouver's real estate less attractive to foreign speculators. In October 2016, the federal government closed a loophole on the taxation of capital gains for foreign real estate sellers and imposed more stringent mortgage insurance requirements (Evans 2016). In June 2016, the provincial government began tracking real estate transactions by foreign buyers and, a few weeks later, adopted a 15 percent tax on such transactions (Gordon 2016). The City of Vancouver, in turn, announced a 1 percent tax on empty properties, which went into effect in 2017 (Bula 2016). But housing prices continued to soar following a brief respite period attributed to these measures; in April 2018, the average for all dwelling types reached $1,129,800 – an increase of 11.7 percent from one year earlier (RBC Economics 2018). In response, the new provincial government announced it was raising the foreign-buyer tax to 20 percent and that it intended to introduce its own empty property tax (Hunter 2018).

But even if these measures and announcements were to have an impact and Vancouver's high costs of ownership were to drop significantly, detached houses could still remain severely unaffordable given that the average price for such units at the time of writing is well above the average for Canada as a whole – at $1.57 million versus $507,800, equivalent to monthly ownership costs of 116.5 percent of the region's average income when the corresponding percentage for Canada as a whole is 53.3 percent

(RBC Economics 2018). The implication is that the practice of renting out secondary suites may be reaching its limit as a facilitator of the city's externally oriented economy; after all, resident homebuyers with incomes high enough to afford such elevated mortgage-carrying costs have little motivation to put up with renters living in their basement. While awareness of these problems is growing, it remains to be seen whether city authorities will find an effective mechanism to keep resident consumers and low-wage service-sector workers in the city – or be forced instead to search for a novel economic model that does not require them.

TABLE 1

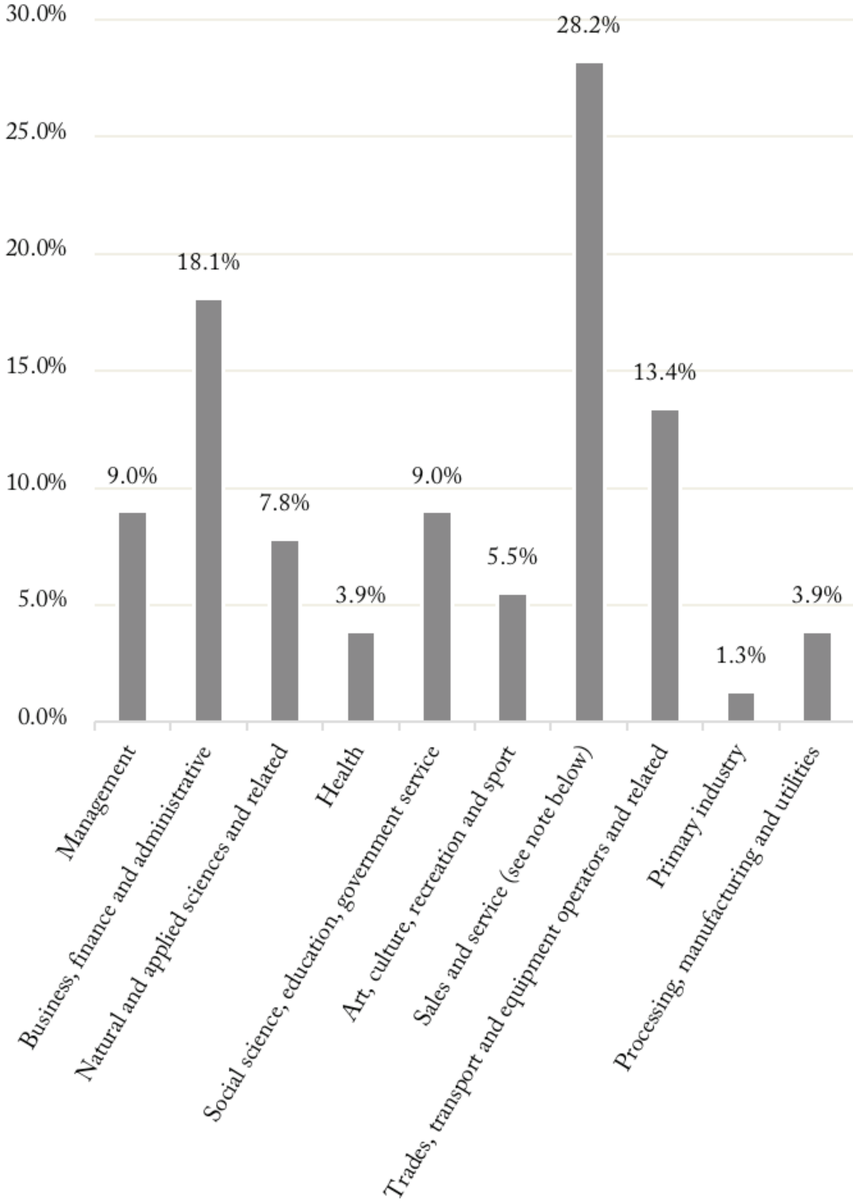
Metropolitan Vancouver's workforce, by type of occupation (2016)

Occupation - National Occupational Classification for Statistics 2016	Size of labour force	Median employment income (2015)
All occupations	1,351,805	$37,004
Knowledge economy (25.0%)		
Natural and applied sciences and related	7.5%	$65,906
Health	6.4%	$49,332
Education, law & social, community & government services	11.1%	$40,614
Construction and renovation (12.5%)		
Trades, transport and equipment operators and related	12.5%	$41,460
Leisure and entertainment (30.1%)		
Art, culture, recreation and sport	4.6%	$23,936
Sales and service[1]	25.5%	$19,662
All other (32.4%)		
Management	11.2%	$60,236
Business, finance and administration	16.8%	$41,795
Manufacturing and utilities	3.0%	$34,806
Natural resources, agriculture and related production	1.4%	$17,289

[1] Includes retail, travel & accommodation, food & beverage, and personal services. Figures may not add to 100% due to rounding. *Source*: Statistics Canada (2016 Census, topic-based tabulations).

FIGURE 1

Distribution of renters by occupational category, Metropolitan Vancouver (2006)



Notes: a) Sales and service includes retail, travel & accommodation, food & beverage, and personal services; b) occupations based on the National Occupational Classification for Statistics 2006; c) data for 2016 not available at the time of writing; d) Figures may not add to 100% due to rounding. *Source*: Statistics Canada, Census 2006, Public Use Microdata File (PUMF).

TABLE 2

Metropolitan Vancouver's workforce growth, 2006 and 2016, by type of occupation

	Percent of total change between 2006 and 2016
All occupations	100% 178,205 workers
Knowledge economy	
Natural and applied sciences and related	8.6%
Health	12.3%
Education, law & social, community & government services	28.0%
Construction and renovation	
Trades, transport and equipment operators and related	10.7%
Leisure and entertainment	
Art, culture, recreation and sport	7.2%
Sales and service[1]	25.9%
All other	
Management	12.6%
Business, finance and administration	0.2%
Manufacturing and utilities	-4.0%
Natural resources, agriculture and related production	-1.5%[$]

[1] Includes occupations in retail, travel & accommodation, food & beverage, and personal services.

Note: Occupation classifications for 2006 are based on the National Occupational Classification for Statistics 2006.

Sources: Statistics Canada (topic-based tabulations, 2006 Census and 2016 Census).

TABLE 3

Change in the size of the housing stock, city of Vancouver (2006–16)

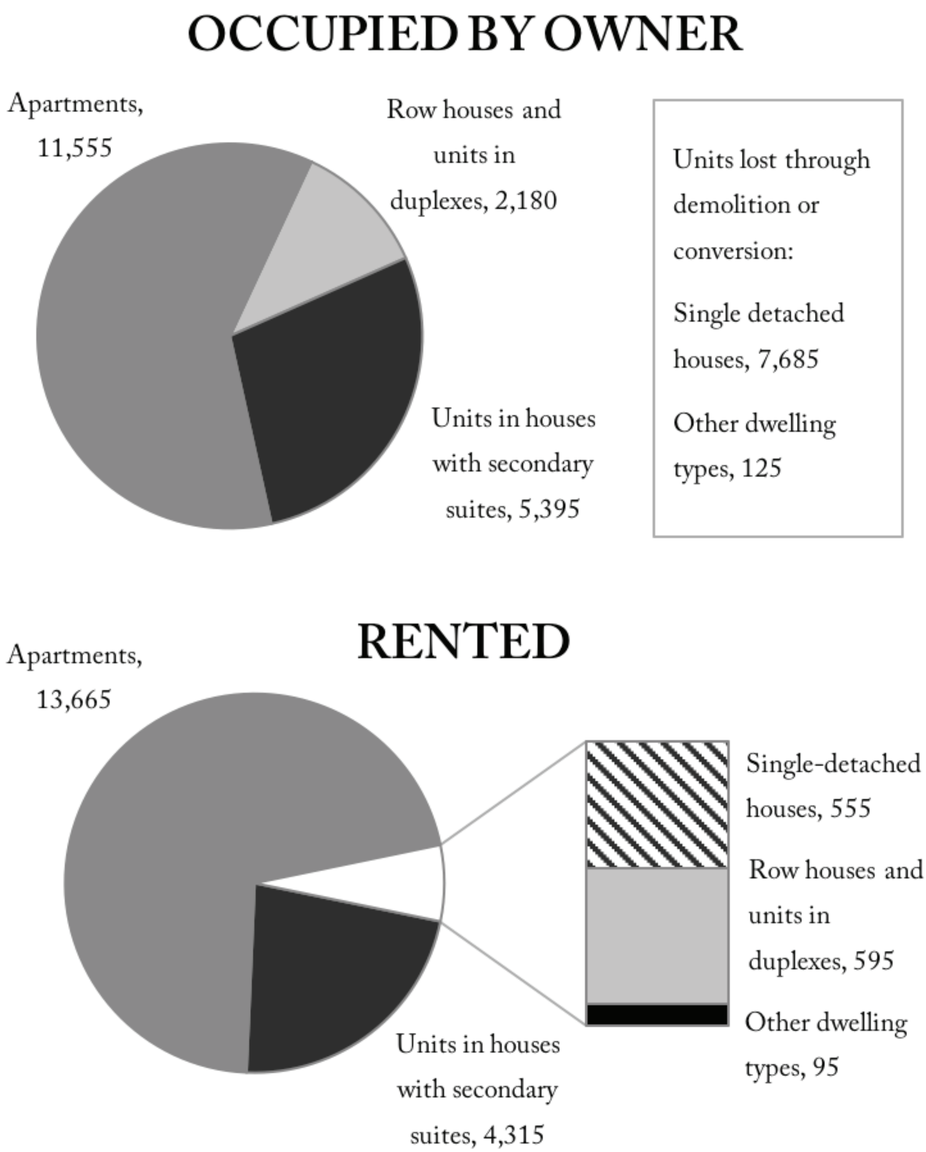
Structural type of dwelling	2016	Net change from 2006	Proportion of change by dwelling structure type
Total	283,915	30,530	100%
Single-detached house	41,305	-7,130	-23.4%
Semi-detached house	4,745	860	2.8%
Row house	10,200	1,905	6.2%
Apartment, duplex[1]	52,475	9,715	31.8%
Apartment, building > 5 storeys	83,205	21,980	72.0%
Apartment, building = <5 storeys	91,400	3,245	10.6%
Other single-attached house	570	70	0.2%
Movable dwelling	25	-105	-0.3%

[1] Refers to units in a detached house with one secondary suite (includes both the principal dwellings and the secondary suites).

Sources: Statistics Canada (Topic-based tabulations, Census 2006 and Census 2016).

FIGURE 2

Change in the size of the housing stock, by tenure, city of Vancouver (2006–16)



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