

Blame politicians for Metro Vancouver's housing price crisis

Affordability crunch is 'collateral damage' of economic stimulus measures, says UBC study

BY DOUGLAS TODD, VANCOUVER SUN MARCH 21, 2016



Geography professor David Ley has traced Metro's out-of-control housing prices to political decisions made as long ago as Expo 86, in a new peer-reviewed study.

Photograph by: Jason Payne, Vancouver Sun

VANCOUVER — Canadian politicians, keen to stimulate B.C.'s economy, are responsible for creating the conditions that have led to Metro Vancouver's housing affordability crisis, according to a new study.

Politicians decided to “reboot a troubled regional economy through an infusion of activity from the growth region of the Asia Pacific,” UBC geographer David Ley says in a peer-reviewed paper published in *The International Journal of Housing Policy*.

Largely as a result of governments' efforts to attract wealthy immigrants and investment from East Asia, “house prices have risen rapidly and the detached housing market is now unaffordable to most Vancouver residents,” writes Ley.

Given that federal, provincial and municipal governments have shown a “minimal response” to Metro residents' housing difficulties, Ley concludes most politicians have accepted that astronomical prices and mortgage debt are just the “collateral damage” from expanding the B.C. economy.

One of the federal government's key policy tools for attracting Asia-Pacific money to Metro Vancouver real estate was the business-immigration program, says Ley, a leading expert on how the world's “gateway” cities are changing because of high in-migration.

The program, which gave preferential treatment to wealthy migrants, proved extremely popular in Hong Kong and Taiwan in the 1980s and 1990s and in Mainland China since 2000.

More than four out of five of the affluent people who took advantage of Canada's business-immigrant program have arrived from Mainland China, Hong Kong and Taiwan, Ley found.

And roughly 200,000 of them moved to Metro Vancouver, where they account for almost nine per cent of the population, Ley estimates in his study, titled “Global China and the making of Vancouver's residential property market.”

Repeated government trade missions to Asia in recent decades also effectively generated East Asians' desire to invest in Metro Vancouver real estate, where Ley says deregulation meant local citizens would have virtually no legal protections from runaway housing costs.

Vancouver's Expo 86, which took shape during the 1980s' recession as a transportation fair, was a key event in Canadian governments' strategy to market the city to Asians, Ley maintains.

The fair's promotional power for enticing Asian money to Vancouver real estate, Ley said, boosted even higher when B.C.'s Social Credit government sold much of the Expo lands, at a low cost, to Hong Kong's richest man, billionaire Li Ka-shing, owner of developer Concord Pacific.

The huge volume of Mainland Chinese multimillionaires who are coming to Metro Vancouver to buy property is out of proportion to the city's relatively small size, Ley says.

"Vancouver, the closest major city to East Asia and with a high quality of life, is the most popular destination, especially for the wealthiest investor newcomers," the vast majority of whom concentrate on real estate.

The respected Hurun Report said in 2014 that Mainland China has more than one million households worth more than \$2 million Cdn — and six out of 10 of the residents of those households want to leave the Communist-led country

The Hurun Report, Ley said, found the top three city destinations for well-off Mainland Chinese who are eager to emigrate are Vancouver, Los Angeles and San Francisco.

As Ley adds: "Vancouver was more popular as a destination than New York and Sydney (Australia) combined."

In most of its migration policies, Ley said Canada set the bar much lower than other countries in terms of economic and social requirements of rich newcomers and offshore investors.

Even though the Conservative government closed the business-immigrant scheme in 2014, affluent ethnic Chinese eager to buy real estate continue to move to Metro through the back door of Quebec's business-immigrant program.

East Asians are also among those most likely to be purchasing Metro Vancouver dwellings while in the country on new 10-year multiple-entry visas, Ley said in an interview.

The 10-year visas, instituted in 2012, provide all the flexibility that most Asian and other millionaires want in order to invest and live seasonally in Metro Vancouver, he said.

The city is undergoing massive change, Ley maintains, because Canada's federal, provincial and municipal governments increasingly embrace the principles of globalized, free-market capitalism to welcome wealth from the Asia Pacific region.

"Their objectives were aided by neo-liberal tools that included open borders, deregulation, a place-boosting world's fair, liberalized immigration policies and a development-ready province pushing back

the gains of labour and the welfare state.”

Given their policies, Ley’s paper questions how politicians, particularly B.C. Housing Minister Rich Coleman, found it possible to argue in 2015 that Vancouver housing prices were “pretty reasonable” and that foreign ownership of property had nothing to do with government.

“Yet it most certainly did, for governments had for 30 years led trade and investment missions to Asia, and had used the tool of business immigration to draw in entrepreneurs and their capital.”

The inflated housing prices that have resulted in large part from new East Asian wealth are especially devastating for young and middle-aged Metro Vancouverites, Ley said in a recent talk sponsored by City in Focus.

A study by SFU researcher Andy Yan found that Metro’s university-educated adults earn the lowest wages on average in Canada’s 10 largest cities, Ley said. Many are “disillusioned” and leaving the city.

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Abstract: Global China and the making of Vancouver’s residential property market

This paper examines the role of international investment in the construction of a local housing market in Vancouver, Canada.

The background political economy included the attempt by Canadian governments to reboot a troubled regional economy through an infusion of activity from the growth region of Asia Pacific. An important investment tool was a Business Immigration Programme (BIP), which welcomed capital and invited capitalists to transfer their entrepreneurial skills to Canada. The BIP was very popular in Greater China, attracting wealth migration to Vancouver from Hong Kong and Taiwan in the 1980s and 1990s, and from Mainland China since 2000.

An intricate trans-Pacific real estate market developed, with off-plan sales and offshore marketing of Vancouver property in Asia Pacific, and sales to wealthy BIP migrants at or before their arrival in Canada. House prices have risen rapidly and the detached housing market is now unaffordable to most Vancouver residents. **Despite public discontent about the likely role of investors in boosting prices, provincial and local governments, who value the revenues of high property prices and BIP fees, have shown little desire to intervene.**

The study goes on to explain, according to Mr. Todd of Postmedia:

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Given that federal, provincial and municipal governments have shown a “minimal response” to Metro residents’ housing difficulties, Ley concludes **most politicians have accepted that astronomical prices and mortgage debt are just the “collateral damage” from expanding the B.C. economy.**

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