

28 Mar 2016 The Vancouver Sun

"studying housing bubbles in several Pacific Rim cities, the causes, social consequences and policy responses to high-priced and volatile housing markets in cities open to global flows of capital and labour"

Economics of housing crunch considered

Re: Politicians are to blame for housing crisis, March 21

UBC geographer David Ley's study attributes the causes of Metro Vancouver's housing affordability crisis to an over emphasis on "growing the economy."

I have not read the study but the article highlighted two important lessons applicable well beyond this specific issue.

The first is Ley's point that problems are seldom created through one isolated decision. They develop over time.

The second is captured in the famous Einstein quote, "The significant problems we face cannot be solved at the same level of thinking we were at when we created them."

Yes, it is easy to blame politicians for the decisions they make. However, as long as we buy into the mantra that the key to good jobs and increased quality of life is more foreign investment, deregulation and free trade, then politicians will likely keep making those same decisions — with predictable consequences.

In other words, if we continue to focus on growing a larger economic pie, then social inequities and environmental degradation will continue to be the "collateral damage".

Ley invites us to look hard at the growth paradigm specifically related to housing costs. But, I hope we don't miss his larger message.

JOAN SAWICKI Stuié

I was somewhat amazed to read Monday morning that Dr. David Ley, a geographer and not an economist, thinks government efforts to reboot the economy by attracting wealthy immigrants is largely responsible for the rapid rise in house prices. He is wrong.

The increase in house prices is the result of increased demand and only a small part of that increase is from wealthy immigrants.

But also, I was left wondering what Dr. Ley thought the government should have been doing.

Let the economy continue to decline as it had through the '90s? It must be frustrating for the government to be criticized for doing too good a job and making B.C. the most successful province in the country.

Prosperity causes increased demand for all goods, particularly housing. The solution is obvious.

Find ways to increase the supply of housing. Or perhaps Dr. Ley would prefer the only other solution, which would be to reduce demand by plunging the economy into recession. I note there is now no housing crisis in Alberta, just an economic crisis.

GARTH M. EVANS Vancouver

We should all be grateful to David Ley for his peer-reviewed and published paper explaining the out-of-control Vancouver housing market.

From his research we know the political drive by all governments, starting with immigration policies to attract the wealthy, caused this.

But Ley also explains that government policies to drive down wages, or as Ley states, “push back the gains of labour and the welfare state,” have exacerbated the state we are in.

Vancouver has achieved the conservative Nirvana. How is that working for us? Our workforce, including professionals who teach in our schools and nurse in our hospitals, can no longer afford to live here.

Could someone from government please enlighten us? What is the plan for citizens who have always lived in Vancouver?

I own a condo, rapidly increasing in value. I realize that should I sell it, neither I nor any member of my family will ever live in Vancouver again.

Am I happy with the high value put on my condo? No, I am not. I would much rather my children were paid properly for their work and had the opportunity to buy a house here.

MAVIS LOWRY Vancouver

Ley's study of this issue has been in the news for years - see for example

<http://blogs.vancouversun.com/2014/06/27/why-vancouver-housing-is-unaffordable-and-what-to-do-about-it/>
"The data that Ley collected over decades shows Metro Vancouver has become similar to other Pacific Rim "gateway" cities in the way housing costs have been fuelled by high immigration-driven population growth and foreign investors."

Note date - cjk

Why Vancouver housing is unaffordable and what to do about it

June 27, 2014. 10:11 am • Section: [Immigration](#), [Real Estate](#), [The Search](#)



Metro Vancouver's astronomical real estate prices are caused mostly by high immigration and foreign investment, says UBC geographer David Ley, author of *Millionaire Migrants*. He shows how the problem is being tackled in four similarly skewed 'gateway' cities - Hong Kong, Sydney, Singapore and London.

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Edward Yang is sad about the city he grew up in. His parents emigrated from Taiwan to B.C. without much money, yet in the early 1990s they were able to afford a small house in East Vancouver.

But Yang and his wife, who earn strong incomes in Los Angeles while bringing up their child, doubt they will ever be able to follow a dream to return to the West Coast Canadian metropolis.

"Vancouver's become a city where no middle-class family will ever be able to afford purchasing a stand-alone house in the city. I find it sad that the only people who can afford the housing prices today are extremely rich, usually from offshore, and often able to buy in cash."

Yang is far from alone in his dejection. University of B.C. geography professor [David Ley](#) has found great "private anguish" among Metro Vancouver's ethnically diverse residents, especially young families, struggling to pursue decent housing.



Edward Yang and his wife, who earn strong incomes in Los Angeles while bringing up their child, doubt they will ever be able to follow a dream to return to Vancouver. UBC geographer David Ley has found a great deal of "private anguish" among young people.

"The generational issue is huge. So many young people are leaving the city. I'm surprised it's not a public issue in B.C.," says the author of [Millionaire Migrants: Trans-Pacific Life Lines](#) (Wiley-Blackwell), which explores how wealthy Asians have radically transformed real estate markets in Vancouver and other Pacific Rim cities.

The data that Ley collected over decades shows Metro Vancouver has become similar to other Pacific Rim "gateway" cities in the way housing costs have been fuelled by high immigration-driven population growth and foreign investors.

As he works on extensive new studies of housing prices in Metro Vancouver, Hong Kong, Singapore, London and Sydney, Ley says, "In every one of these cities the market is being

driven by something other than owner-occupiers. Not just new immigrants, but investors, including offshore investment.”

Politicians in Hong Kong, London, Singapore and Sydney are responding in more proactive ways to their housing dilemmas than the elected officials responsible for Metro Vancouver, Ley said in an interview.

UPDATE: Aug. 2015: [Finally we're debating housing in Vancouver: Five key issues](#)

March 2015: [Who can we trust on Vancouver real estate?](#)

Ley discovered almost a one-to-one correlation over a 25-year period between Metro Vancouver becoming one of the most unaffordable real estate markets in the world and a surge of international immigration and offshore investing.

University of Waterloo geographer Markus Moos and Queen's University planner Andrejs Skaburskis back up Ley's analysis. They say Metro Vancouver is an “exceptional” example of how “globalization” can affect a local housing market.

Moos and Skaburskis found, beginning in the 2000s, “immigrants, particularly from Asia, increasingly arrived with established wealth, and many were known to continue earning income outside the country. This led to a decoupling of housing from local labour market participation.”

The Metro Vancouver regional district has released data showing almost nine of 10 newcomers in the past 20 years were born outside the country, mostly in Asia. Many are “circulatory migrants” who invest in property in Canada while working elsewhere.

Ley's data contradicts real estate developers such as Bob Rennie, who recently argued that Metro Vancouver's housing prices are reasonable and labour market related, if you “take out the top 20 per cent” of property sales that “are for rich guys and foreign money.”

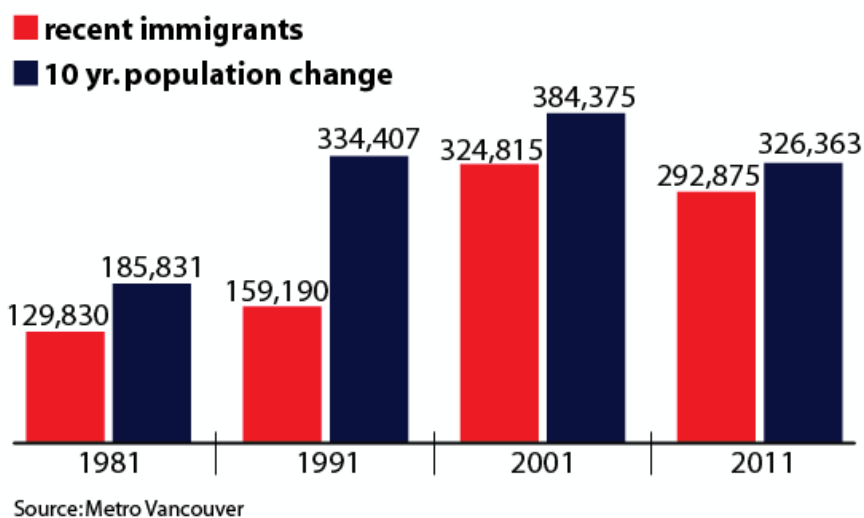
On the contrary, Ley said, a “trickle-down effect” occurs when well-off immigrants and investors push up housing prices in places such as the west side of Vancouver.

“It's not as if you can draw a clear partition. The property values in the west side influence the prices in the east side. Demand is just deflected, for example, from Kitsilano to Main Street and Commercial Drive.”

The residents of Hong Kong, Singapore, London and Sydney have more openly discussed soaring housing costs than people in Metro Vancouver, Ley says. And their politicians have been

Recent immigrants compared to the 10 yr. population change in Metro Vancouver

The graph shows the change in population is increasingly tied to the number of new immigrants. The impact of immigration rose to 48% during the 1981 – 1991 period to 90% in recent 2001 – 2011 period. While the net number of recent immigrants declined slightly between 2001 and 2011, the impact on the net population change continues to increase, up from 85% of the net change 1991 – 2001 period.



more responsive. x Guide

Residents of other gateway cities, Ley said, have not been silenced, like people in Metro, by developers who have for two decades made “self-serving” claims that it borders on “racist” to draw links between migration, foreign ownership and the mounting cost of local housing.

“The racism charge in Metro Vancouver is a smokescreen,” Ley said.

“What’s causing high prices is simply an empirical question, and I’m very confident in my data. If we were talking about high housing prices in Kelowna, we would be analyzing the effects of buyers from the Alberta oilpatch.”

Increasingly, realtors in Vancouver, Sydney, London and across the U.S. are courting such upmarket offshore investors.

Urbanland, a magazine for U.S. developers, describes how American builders have been launching marketing “missions” in Asia to attract “wealthy foreigners” to a fast-track immigrant-investor program known as EB-5.

Most of the marketing missions have occurred in China. “And for good reason,” says Urbanland article. Four of five participants in the U.S. immigrant-investor program (which demands a larger financial commitment from newcomers than Immigration Canada’s recently cancelled investor program) have been Chinese.

[UPDATE: Absentee owners targeted by Vancouver mayoral candidate Meena Wong \(Sept. 2014\)](#)

[UPDATE: Vancouver to collect data on foreign speculators, empty dwellings \(July, 2014\)](#)

[RELATED: Is the ‘racist’ label being abused in Vancouver’s housing debate?](#)

[Vancouver is the most ‘Asian’ city outside Asia: Survey](#)

How are other gateway cities responding?

Hong Kong recently placed a **[15-per-cent surcharge on foreign buyers](#)**, mostly from China, who have made the city the most “unaffordable” of 360 cities in nine English-speaking countries, according to Demographia, which measures local incomes against housing prices.

In Singapore, which provides much more social housing than Metro Vancouver, the city-state has also placed a “stamp tax” on foreign buyers similar to Hong Kong.

Australia already has a policy that permits foreigners to buy only new housing, and temporary residents to sell Australian properties when they leave. Still, under public pressure, the Australian government this year began launching an **[inquiry into offshore investment](#)**.

London has detailed the spate of luxury purchases by Russians, Malaysians and other foreign investors, Ley said. In response, British politicians are proposing a **[levy on buyers who leave their properties empty](#)**.

What might happen in Metro Vancouver, which Demographia ranks as **[the second-most “unaffordable”](#)** of 360 cities?



Planner Andy Yan laments how “whispers of racism” have stopped an important dialogue over housing in Metro. He is among many proposing an extra tax on offshore investors who “park” their fortunes in Metro real estate.

It could follow the lead of Toronto, which has already raised development fees for condominiums. And the federal government recently [cancelled its investor-immigrant program](#), which brought more wealthy Chinese newcomers to Metro Vancouver than any other Canadian region.

University of B.C. planner [Andy Yan](#), who works for Bing Thom Architects, joins leading Canadian economists such as [Benjamin Tal](#) of CIBC World Markets in urging governments to provide much better data on foreign ownership.

While echoing Ley in lamenting how “whispers of racism” have stopped an important dialogue over housing in Metro, Yan proposes an extra tax on offshore investors who “park” their fortunes in Metro real estate.

Even the free-market [B.C. Chamber of Commerce](#) last month urged the province to introduce a modest version of the Hong Kong “stamp tax.” It would raise the property transfer tax for foreign buyers to double that for Canadians buying residences.

While the idea of a higher B.C. property transfer tax is not dramatic, Ley said it could form part of a package of policy changes that may eventually lower the extreme cost of housing.

“Combining a lot of small responses,” Ley said, “can have a beneficial effect in the long run.”

dtodd@vancouver.sun.com

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