

# HOUSING AFFORDABILITY ISSUES IN THE EYES OF THE BEHOLDER

## Canadians quick to blame foreigners, but we've done same thing for years

We've been among the wealthy foreign speculators responsible for pushing up housing prices

During the mad rush of Canadians buying up cheap American real estate after the 2008 subprime mortgage debacle, there was little talk here about the tragedy of 5.1 million families whose mortgages were higher than the value of their houses or the unprecedented number of people forced out of their no longer-affordable homes.

What Canadians — and Americans — were buzzing about was how, for the price of a tiny Vancouver condo, in a Sun Belt state like California, it was possible to buy a 4,000-square-foot house with a pool and casita for your guests.

There were similar deals being snapped up in Florida by Canadians and other foreigners. And, in the U.S. rust belt, a nice house sometimes went for the price of a modest car.

With so many under-water mortgages, Canadians picked up homes for pennies on the dollar — at a time when we still had pennies and the loonie was strong.

Canucks kept the real-estate market alive particularly in cities like Las Vegas, Phoenix and Palm Springs.

And, just like foreign-owned properties here, some Canadian owners spend a few months in their second homes. Others spend no time at all, preferring to have short-term renters down for “the season,” which amounts to little more than five or six months.

It's partly because the dry, sunny climate that is so attractive in the winter is unbearable between June and October. But that's only one reason.

The United States limits Canadians' stay as visitors to six months a year, regardless of whether they are property owners. Plus, provincial health care plans require residents to be physically present for six months.

For the rest of the year, those homes sit empty.

And when market conditions began to change, many Canadians took their profits and ran.

At different times, Canadians have bought up “dirt-cheap” properties in other countries. Well, dirt cheap to Canadians, but not to average Mexicans, Thais or citizens in countries like Ivory Coast.

We’ve been among the wealthy foreign speculators responsible for pushing up housing prices, as well as the costs of other necessities such as food, at the expense of locals with no place else to go.

But now that Canadians find themselves at the other end of the economic stick, we’re surprisingly quick to try to pin Canada’s own housing affordability problems on wealthy foreigners and focus on ways to punish them, as if that would fix everything.

That said, few would oppose foreign investors facing higher rates of tax on rental income or capital gains on property held outside their own countries. (Although I’m pretty sure that Canada Revenue Agency employees have some stories about Canadian foreign-property owners’ reaction to its recent crackdown on reporting foreignproperty income here.)

Few would argue against increased fees, property purchase taxes, or even a speculation tax on foreign ownership.

More controls on and scrutiny of real estate transactions done through shell companies would also be welcome. Better monitoring and tougher penalties for illegal and unethical practices, including money laundering, failing to report large cash transactions without checking on the source of the money, and shadow flipping would benefit the overwhelming majority of law-abiding Canadians.

Additionally, it would be nice if there was a full mea culpa from both federal and provincial politicians for the grotesquely stupid policy of selling citizenship to investor immigrants for bargainbasement prices — which initially started at \$400,000 and at the time of the program’s cancellation in 2015 had only risen to between \$800,000 and \$1.6 million. Even if it wasn’t a prime reason for the housing affordability crisis, the promotion of the immigrant investor program likely contributed to it and the increased visibility of Canada as a place to park money.



As for murmured suggestions that owners ought to be forced to rent vacant properties, given the near-zero vacancy rates, skyrocketing rents and housing prices, that’s one idea that’s never going to fly. Nightmarish to enforce, there is also no politician who would want to provoke the inevitable uproar among the half-a-million or more Canadian snowbirds who each year head south to their winter homes.

## 5 Comment(s)



[Ricketty Rabbit](#)

12 April 2016

06:22

*"That said, few would oppose foreign investors facing higher rates of tax on rental income or capital gains on property held outside their own countries."*

Bramham's treatment of this is incomplete because it fails to mention that Canada's own government received an internal report in 2014 showing that investor immigrants paid less income tax on average than even refugees. It comes to an average of \$1,400 per year per investor immigrant taxpayer over the period covered by the study. That is a red flag for possibly rampant tax evasion. Meanwhile, this group has bought literally billions of dollars worth of real estate in Vancouver over the past couple of decades, and according to David Ley, figures significantly in driving up Vancouver real estate prices.

Bramham also makes the common mistake in lumping all Canadians together as a single group. I'm sure most of the Canadians holding foreign real estate are not the ones priced out of the real estate market by foreign investors in Canadian property. Indeed, this is probably one of the reasons why the government is so loath to act on the foreign influence on property values - Canadians are split into two groups on this - those who benefit from it, and those who are hurt by it. In the short term, there are probably more of the former than the latter. In the long term, those who "take the money and run" leave Vancouver in far worse condition for all who remain.

As a result, Vancouver is increasingly losing long-time residents who cash out by selling at high prices to offshore interests, and Vancouver transitions, home by home, into a playground for wealthy foreigners whose influence on property values drives industry and jobs out of the city. Once again, the tragedy of the commons reveals that our legal framework is too weak to protect society long term.

Nobody voted for this, but our leaders are tacitly allowing it to continue.

[Wet Coaster](#)

12 April 2016

07:49

Right on,

[Tofino boy](#)

12 April 2016

08:06

Agree with all of Rabbit's points. Bramham must have had a hard time coming up with a column today, her comparisons don't hold water. First of all, the Americans would have been grateful to have Canadians or anybody else inject money into their devastated economy after the financial meltdown of 2008. People that needed to sell badly had a

buyer. In Vancouver, prices are already insane and they keep getting worse, stopping many young people with good jobs from being able to buy even a condo in the area in which they grew up or now work in.

As for leaving vacation properties empty for the 6 months that we Canadians are not able to occupy them: Try finding a tenant in the Palm Springs or Phoenix areas between May and October when the average temperatures range from 100 to 115 degrees.

Lastly, it's not so much foreigners that are affecting our real estate prices but **foreign money**, a big difference. Eventually the Clarke Government will complete some study showing that Foreigners make up a smaller percentage of buyers than we all thought. They'll then pat themselves on the back and say "see, we told you so". However, recent landed immigrants and new Canadian citizens are bringing lots of cash in from China and buying up multiple properties. They won't be considered foreigners any longer but the impact that has on real estate prices is immeasurable.



[The Green Bastard](#)

12 April 2016

08:17

try gettin a so called 'reasonable rent' in palm springs or phoenix from nov. to march....

[Fearless Fosdick](#)

12 April 2016

08:40

Good article and a fair comparison.