

Barbara Yaffe: The high price of housing in 'America's attic, Canada'

U.S. magazine cites Vancouver's pricey housing - with a hefty dose of incredulity

BY BARBARA YAFFE, VANCOUVER SUN COLUMNIST JUNE 23, 2014



Vancouver has been identified as North America's priciest real estate market, leaving some U.S.-based journalists claiming that B.C.'s west coast 'is not a major market.'

Photograph by: Gerry Kahrman, Vancouver Sun

American commentators, it seems, are dumbfounded that Vancouver has been identified as North America's priciest real estate market.

The latest issue of a U.S.-based monthly print and online publication focusing on real estate remarks that few would be surprised at prohibitive prices in, say, San Francisco or New York. But Vancouver?

The unexpected urban top dog "is not a major market," writes Housingwire journalist Trey Garrison, with a hint of incredulity.

"And it's not 'technically' in America but rather America's attic, Canada."

The May 28 article, titled [This is What Happens When Foreign Investors Invade Vancouver](#), follows a similar one by an equally surprised writer in The New Yorker magazine.

Housingwire says the challenge for Vancouver, and cities like it, "is that [foreign investment isn't an unalloyed good](#).

["It's great for existing home owners, who see the value of their homes rise, and for the city's tax revenues.](#)

["But it also makes owning a home impossible for much of the city's population,"](#) according to the magazine, echoing a widely expressed lament of Vancouverites.

Garrison's surprise at the popularity of Vancouver's property market is explained by a January 2014 survey that his article points to, ranking the most popular cities globally for foreign investors.

According to results of an annual survey conducted for the Washington, D.C.-based Association of Foreign Investors in Real Estate, respondents identified the U.S. as the most stable, secure country by a wide margin, both for property investment — residential and otherwise — and related capital appreciation.

Specifically, 68 per cent chose the U.S. as most stable and secure. Only eight per cent identified Canada, fourth on the list. Germany and the U.K. ranked second and third.

When it came to most preferred cities for such investment, 24 per cent of respondents chose London; 21 per cent, New York; 14 per cent, San Francisco.

Vancouver did not even appear on a top-10 list also featuring Houston, Los Angeles, Tokyo, Madrid, Munich, Paris, and Washington, D.C.

That may be because Vancouver has tended to appeal to a relatively narrow group of foreign real estate buyers, the magazine suggests.

"Vancouver, which has a large Chinese population, easy access to the Pacific Rim and nice weather, has become a magnet for Chinese investors looking for insurance against uncertainty," explains the magazine.

And, "If there is enough rich people in China who want property in Vancouver, prices can float out of reach of the people who live and work there.

"So just because prices look out of whack doesn't necessarily mean there's a bubble. Instead, wealthy foreigners are rationally over-paying to protect themselves against risk at home."

This same phenomenon is happening in a number of American cities, says Housingwire.

It reports that price increases are being driven by institutional buyers — defined as purchasers of 10 or more properties in a calendar year — and cash investors, presumed to be mainly foreigners.

The magazine says 40 per cent of U.S. property sales in the first quarter of 2014 were all-cash sales.

"This is hurting traditional buyers, whose incomes have stagnated over the past four decades."

Clearly, Americans in cities viewed as secure and livable are having the same difficulty competing for property as Vancouverites.

I have been noticing a growing impatience and frustration locally, sometimes even anger, with the influx of foreign buyers.

Locals feel they are being priced out of their own home communities.

Others, however, tell me, without the foreign home buyers and wealth they bring with them, Vancouverites would face a significant financial struggle of another sort.

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