

No easy answers to housing issue: PM

Trudeau worries rushed policy would have 'unintended consequences'

Prime Minister Justin Trudeau agrees that the influx of foreign cash into Vancouver's real estate market may be making neighbourhoods "inhospitable" to ordinary families.



ARLEN REDEKOP Prime Minister Justin Trudeau acknowledges foreign ownership has helped drive up home prices in Metro Vancouver.

Trudeau, who met Friday with Vancouver experts to discuss this city's housing affordability crisis, says while he wants to fix the problem, he warns of "unintended consequences" if a rushed policy initiative ends up backfiring on cities such as Montreal, Calgary and Halifax, which need foreign investment.

Despite his hopeful words, Trudeau offered no specific policies during his two-day visit here, and said Ottawa must work with provincial and municipal governments on a joint strategy to bring down prices in some neighbourhoods.

Trudeau's comments came ahead of Friday's meeting here with housing experts, who said they would be urging him to tame forces that hiked the average price for a Metro Vancouver detached home to more than \$1.5 million last month, up 26 per cent since the October election.

"How can we draw in investments without rendering the city inhospitable for people who have lived here for a long time and want to continue to live here and raise their families here?" the prime minister said in an exclusive interview during his two-day visit.

"Getting that balance right is going to be really important to (keep Vancouver) the world-class city it is."

In a later interview with CBC, Trudeau indicated Ottawa is still trying to find a policy tool that won't backfire.

“We need to make sure any action we take doesn’t make things worse,” he said.

The Liberals promised during the 2015 election campaign to “consider all policy tools” to deal with skyrocketing prices. Last week, Finance Minister Bill Morneau said his government was engaged in a “deep dive” on researching the housing sector and considering options.

But aside from toughening down-payment requirements and funding a \$500,000 study of the problem, the government hasn’t moved on the matter.

New Democrat MP Kennedy Stewart raised the issue in the House of Commons on Friday, blasting the Liberals for failing to fulfil a campaign promise to provide a tax break to stimulate affordable rental housing.

“The housing crisis in B.C. and across Canada grows increasingly urgent, yet the Liberals broke their promise to provide much needed help,” said the MP for Burnaby South.

Trudeau met privately with a number of housing activists and experts in downtown Vancouver, many of whom planned to tell him to deal with the flood of money from China distorting the local market.

Thomas Davidoff, an economist with UBC’s Sauder School of Business, was one of the experts who attended the closed-door meeting, which lasted for about an hour.

In addition to the role foreign money is playing in Metro Vancouver’s housing market, he said other big issues discussed included housing density and tax reform, the latter specific to affluent buyers from overseas who buy luxury properties.

On density, he said Trudeau indicated he was willing to “force” municipalities who get transit money to densify.

“That’s something he can do, and he seemed to express a willingness to do it,” Davidoff said. “And he certainly seemed open to hearing about tax reform so we don’t sort of roll out the red carpet to people who are bringing money into the country and not earning money here.”

In an interview with The Vancouver Sun and The Province, Trudeau acknowledged that Asian money is part of the problem.

“I think absolutely foreign ownership has a role to play,” he said.

But on CBC he said the challenge is to engineer a stabilization of the real estate market that doesn’t result in driving prices so far down that people get hurt.

“We’re on a trajectory that doesn’t have any good outcomes,” he said.

“What we’re all hoping for is to stabilize the market.”

Trudeau didn’t explain how he could make homes affordable for young couples without causing a plunge in equity values, which could hurt highly leveraged homeowners.

“We need to make sure we’re reining things back a little bit, in a way that doesn’t completely devalue those people whose retirements and whose equity is still in their homes.”

Yet he later said he wanted to “make sure that young people, folks in the middle class, are able to get a proper start on life in the city they love.”

He indicated one option could be for cities to tap into a new federal innovation fund intended to encourage creative ideas to create lower-cost housing.