

No vacancy, just lots of speculation

There's something almost pathetically naive about the City of Vancouver's plan to tax owners of vacant homes.

Forget its most obvious flaws. It would be hideously expensive to administer and police. It would be largely dependent on self-reporting, and despite Canadians' Dudley Do-Right reputation, I expect few are all that willing to out themselves as empty-home owners (and, if not self-reporting, the city hopes neighbours will snitch on neighbours — something normally relied on by only the most oppressive regimes).

The crucial problem? It won't end speculation, which is something municipalities along with the development industry and the provincial government were complicit in helping to create.

Less than a decade ago, municipalities lobbied hard to get the B.C. government to change the Strata Property Act so that all newly constructed strata-titled homes would be available for rentals. The 2010 amendment prevented newly formed strata corporations from passing bylaws that would either restrict the number of rental units or ban them entirely. Rental restrictions and bans were popular among owners who live in their condos. Most viewed the restrictions as enhancing their property's value and their quality of life because they promoted a more stable, shared community.

To be fair, exempting new condos from rental restrictions was likely done with the best of intentions, as a means of increasing the rental stock. But it backfired.

"It became an open playground for speculators," says Tony Gioventu of the Condominium Home Owners' Association.

By 2010, the population was growing and, increasingly, those with means began to regard Vancouver as a nice, safe place to have a condo as a second home or vacation property.

Overseas pre-sales of condos had long been normalized. Interest and bond rates were at historic lows and have remained there. Stocks were only starting the long, slow (and ongoing) struggle to regain value lost in the 2008 crash.

While condo prices haven't risen at the pace of single-family houses, last year alone the average assessed value of a Coal Harbour condo increased 12 per cent. In West Vancouver, Delta and Coquitlam, average assessments went up between eight and 10 per cent.

For investors, the choice of where to plant money is simple. Condos provide a carefree investment, especially if you don't need the bother of renters.

In a recent survey, the CHOA found that in condos built since 2010 in high-end neighbourhoods like False Creek and Coal Harbour, anywhere from 17 to 34 per cent of the units are occupied for less than one month a year.

Because of the purchase cost, he says, investors would have to set rents somewhere in the range of \$3,000 to \$6,000 a month for the units to earn income. But with mortgage rates so low, who's going to pay that kind of rent? Nobody, Gioventu says. So the buyers are mainly people able to carry the cost, holding onto the condo just as they would a speculative stock, until the price gets high enough that they decide to take their profits and run.

Close to 95 per cent of all new housing construction in Metro Vancouver is now strata-titled condos and townhouses. But demand is strong from local people cashing out of singlefamily homes, locals who can't afford single-family homes, from non-residents, and, more recently, from Airbnb entrepreneurs with multiple units posted on the sharing economy website for daily and weekly rentals.

And while some strata corporations have passed bylaws banning Airbnb rentals, Gioventu says he is aware of long-term renters being evicted from strata buildings to make way for more lucrative short-term stays.

So what's the solution? Not the vacancy tax the city is proposing.

Aside from the obvious problems cited earlier, there would still be the problem of older strata-titled units governed by bylaws that forbid rentals. Owners could end up facing the choice: Rent and pay a fine of up to \$500 to the strata corporation, or declare their vacant home to the city and pay the tax.

Gioventu says an easier way would be for the provincial government to use homeowners' grants as a means for municipalities to retain property taxes by creating two additional categories: one for homes that are always empty, and one for those used as vacation properties or seasonal rentals.

The conundrum of near-zero vacancy rates and a growing number of empty homes has frustrated citizens. It's also got politicians itching to "solve" the housing affordability problem before the next election cycle.

Plenty of solutions are being bootled about, from the city's plan to others that include banning property ownership by foreigners, cracking down on money laundering, and quickly and dramatically increasing supply to force prices down.

But before politicians leap to any quick fixes, they should think about the 2010 Strata Property Act amendment as a cautionary tale of unintended consequences.

6 Comment(s)

[Wet Coaster](#)

04 July 2016

04:14

As a strata owner I am pleased with the stability of neighbours in the retired age range and no rentals because our strata was built before 2010. Opening it up to renters would be a mistake because they have no skin in the game. I have only heard of one unit that was unoccupied for an extended period in the nearly 14 years I have lived here. Probably our greatest asset is that we are 25+ miles from Vancouver. I can't imagine how stable a neighbourhood could ever be with significant numbers of unoccupied units or AirBnB customers. Makes one almost want to see mortgage rates rise 3% and then watch the carnage in the housing market as the speculators leave.

Wondering of BCLA - Richmond Public Library (CDN)(PQ)

04 July 2016

05:12

I think the problem in the rental market is the AirBnB, some of these landlords are pocketing more money this way. No record of the rental so no income tax paid, where as with a tenant they get a deduction on there rent on the provincial side of the tax system.



[Mr Tux](#)

04 July 2016

07:37

Wet Coaster: total agreement on stratas.

[Neil Brazier](#)

04 July 2016

08:45

The article is wrong in that rental restrictions are still possible in new units. The 2010 amendments are in regards to initial rentals and do not mean that future rentals cannot be prohibited, which is good. As a strata is prohibited from screening rentals, as say an apartment building owner would, the Strata has practically no control over rentals and all the ensuing problems such as grow-ops, etc.

The article does recognize the obvious, which the mayor of Vancouver is not capable of, and this is to realize that 99% of people in the rental market could not afford to rent a condo in Coal Harbour and many other areas. In addition, most do not seem to appreciate that at the rate new condos are being constructed in the Vancouver Area that (a) shortages in accommodation will not last forever and (b) construction of said condos provides a real boost to the local economy. Lastly, people should be careful of what they wish for. Psychology is an important part of what sets housing market prices. The trend can turn on a dime and the current protests are nothing like what will be heard when hundreds of thousands of people suddenly have mortgages for more than the sale value of their property.



[Ricketty Rabbit](#)

04 July 2016

08:58

The problem in Vancouver's housing market with affordability and vacancy rates is more affected by offshore money than anything else. There are wealthy people living in countries that most wouldn't want to live in - China, Iran, etc. - and they're looking for safe havens for their family and some of their money. They have no real desire to live here and no commitment to the country. There are many of them, and they're increasingly buying homes and apartments here as safe havens for families and their often considerable wealth.

There are also many from East Asia in particular who bring their children here to be educated in English. Canada has a good reputation for public and private education, and Vancouver is clean, safe and cosmopolitan enough that East Asians can live here without leaving their culture completely behind. The wealthier ones consider Vancouver to be a bargain for all its good qualities.

There are far too many in these two groups in the world - wealth haven-seekers and wealthy education-seekers - for Vancouver to accommodate them without major stresses and dislocations in our housing supply. This is a very simple matter, and only simpletons could fail to understand it.

[Corrie Kost](#)

04 July 2016

10:17

The District of North Vancouver passed a bylaw which now forbids rental restrictions on any new strata units. How this applies to Airbnb is uncertain.