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Speculation tax won't fix prohibitive housing costs

A new tax on buyers flipping Vancouver-area property for a quick buck would allow governments to appear engaged, but not much else. A property speculation tax, recommended recently both by Vancouver's mayor, Gregor Robertson, and the city's highest profile realtor, Bob Rennie, would do little to address the region's affordability challenge.

Some speculation in the housing market is taking place in the region, with reports of some quick flipping in West Vancouver and clusters of for-sale signs along arterials, representing groupings of neighbours who are speculatively banding to sell entire blocks of homes at premium prices to make way for higher density housing.

Governments increasingly are being pressured to take action by the public, to safeguard the interests of those being shut out of a prohibitively expensive housing market. A group calling itself after the hashtag #donthave1million recently held a protest in downtown Vancouver against high housing costs.

But a speculation tax would not fix what ails this region, lately experiencing a cutthroat sellers' market.

Vancouver has become a global hedge city for wealthy people living under unpredictable, authoritarian rule, particularly in Russia and China. These well-off foreigners want to park their money, longer term, in secure investments, and Vancouver is now recognized as one of a handful of cities in which property is considered a safe vehicle for investment.

These investors are not speculators, although they do have an impact on the higher end of the market. Moves to thwart such investment would likely negatively affect owners of luxury homes, while having a negligible impact on the rest of the market.

A second fact that needs to be recognized is that Vancouver is receiving 7,000 new residents a year while the region receives more than 30,000 a year, through in-migration and immigration. These newcomers are not speculators. They want housing. But they, too, are putting pressure on a market with a finite land base,

A speculation tax would not deter these forces, nor would it tackle the nasty problem of properties being left vacant.

There are no easy solutions for high housing prices in a region in which so many want to live.

People here must accept that not everyone will be able to afford to live right in the city, or in detached houses. Europeans who live in large cities have long known this.

Vancouver's affordability challenge is probably best addressed, as it has been in Europe, through higher density, which Rennie has also suggested in a recent address.

Much of Vancouver is zoned for single-family housing, a situation that must change so more townhouses and condos — more affordable options than detached houses — can be built to accommodate all those who want to be Vancouverites.

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The problem: Single family homes are often cheaper than the new townhouses and condos - especially so on the price per square-ft. -cjk

This article has a very negative tone. Only 100% effective solutions are sought - and since they don't exist, all solutions are rejected. Measures implemented in other regions of the world are not even mentioned.- cjk