

## REAL ESTATE ECONOMICS

There are plenty of good reasons to limit political donations by corporations and unions, not the least of which is addressing the perception that government action — or inaction — can be influenced by major contributors to the party in power.

That, indeed, is the latest angle in the saga of the Lower Mainland's real estate madness. As Douglas Todd reported last Saturday, about \$12 million of the \$70 million in corporate donations to the Liberals over the last decade came from the real estate industry. The allegation is that the Liberals refuse to take meaningful steps to deal with the affordability issue because it is not in the interest of the party's major donors. It's instructive to note that condominium marketer Bob Rennie is the Liberal Party's chief fundraiser and his company is a major donor.

It is evident that real estate prices have become disconnected with incomes. There is no single explanation for the phenomenon but clearly foreign buyers, immigration, constrained land base, desirability, density, low interest rates, permitting delays, job quality and a host of other factors all come into play. There is no simple solution to such a complex problem.

Nevertheless, the government's rather muted response — a pledge to end shadow flipping and investment of \$335 million over five years to build "affordable" housing — is hardly satisfying. Its reluctance to collect data on foreign buyers or to consider a speculation or non-resident tax only fuels suspicion that the government is giving the real estate industry special treatment. The participation of two real estate companies in Premier Christy Clark's recent trade mission to Asia was bad optics, even though the companies on the trip are not in the business of selling residential real estate to foreign buyers.

On the other hand, the government's hesitation to tinker with the real estate bonanza is understandable. Real estate and construction together represent roughly 25 per cent of B.C.'s GDP, about the same dependence Alberta has on the oil and gas industry. The strength of this sector gave the province the highest GDP growth rate in Canada last year. Construction is by far the biggest job generator. The property transfer tax delivered \$1.15 billion in revenue in the latest fiscal year.

It could be that the Liberal government's white glove treatment of the real estate industry has less to do with political payola and more to do with the industry's contribution to the economy and the treasury.