

12 May 2016 The Vancouver Sun VAUGHN PALMER vpalmer@postmedia.com

# SUPPLY IS THE SOLUTION TO HOUSING FOR DE JONG

## Minister shows reluctance to ‘artificially constrain demand’

*Before we are going to single out one aspect of foreign investment, we better have a clear sense of what the impact actually is on the market.* MIKE DE JONG, B.C. finance minister

B.C. Finance Minister Mike de Jong lost no time this week discounting the latest report to blame Chinese buyers for fuelling the crisis in housing affordability in Metro Vancouver.

“I do note that (the author) offers this qualification: ‘I do not claim any expertise in this area ... my academic work is far removed from this area,’ ” said de Jong, quoting the foreword to the report from Josh Gordon, an assistant professor in the School of Public Policy at Simon Fraser University.

“That doesn’t in any way disqualify Mr. Gordon or anyone else from offering views on public issues,” he continued, responding to a line of questions from the New Democrats about the report. “But you know we are resolved to base our decisions on sound data and not theories or conjecture.”

Three hours later, the finance minister was in the legislature press theatre to announce his preferred mechanism for gathering data on property sales, namely the restoration and strengthening of a disclosure requirement the New Democrats themselves eliminated in 1998.

“We will be requiring individuals to provide their principal residential address and then, pointedly, on the date of registration are you a Canadian citizen or a permanent resident as defined under the federal act, yes or no, and if not, your country of citizenship.” The goal being to move beyond assumptions based on names, faces and anecdotes, as opposed to auditable declarations on the forms used to collect and administer the provincial property transfer tax.

The disclosure requirements kick in June 10, after which the province will start sharing the data with the Canada Revenue Agency to assist in collection of applicable federal taxes as well. And then? “After six months, given the kind of volume that we’re seeing in and around Metro Vancouver and other parts of B.C., we’ll start to get a relatively reliable sense of what is going on in the market. So that takes us towards the end of the calendar year.”

But de Jong cautioned against assuming that once the data has been aggregated and analyzed, the government would necessarily proceed with a new tax or other disincentives against foreign buyers.

“I tend to have a bias against singling out foreign investment for a separate or punitive tax,” he told reporters. “We work awfully hard to attract people to come here, to invest here, to create jobs here. And when I look at other jurisdictions that have tried this, and the impact it has had on the affordability issue, it has been negligible.”

I wondered what percentage of foreign buyers would it take to persuade him that there is a problem?

“I don’t have a threshold,” he replied. “It’s probably a fair question, but I try not to have some sort of preconceived notions. I really don’t know what the number will be. Because to the extent that we’ve seen reports, they’ve relied on things like people’s last name.”

Meanwhile de Jong blasted the New Democrats for supporting a tax on foreign speculation — like the proposal they tabled in the legislature earlier this spring — without the data to substantiate their suspicions.

“Before we are going to single out one aspect of foreign investment, we better have a clear sense of what the impact actually is on the market. Not theories, not conjecture, not saying things that might be politically convenient.”

As de Jong sees it, the focus on discouraging foreign buyers serves as a distraction from what is likely to be a more fruitful course of action, namely an effort to increase the supply of housing.

This year’s budget included an exemption from the property transfer tax as an incentive for construction of new homes up to \$750,000 in value. Plus the government is engaged in another datagathering exercise on the supply side of the equation.

“We see the record numbers of housing starts,” he said

“But how many other units have (been) denied? And how many other housing units are awaiting approval? What would the impact be of thousands upon thousands of units actually coming onto the market? I expect it would relieve some of the pressure.”

The government is pursuing answers to all those questions from local governments in Metro Vancouver. “I hope I don’t have to FOI it,” joked de Jong, riffing on his recent appointment as minister in charge of freedom of information, or FOI.

Once the sought-after information on supply is in hand, he’ll be in a better position to decide how to proceed on the affordability file. But from what he said this week, there’s no doubt about his preferences.

“I don’t believe the answer is to try and artificially constrain demand whether it is from within the country, within the province or internationally. I think the answer is for us to work together as governments and increase supply.”

Not surprising that the Liberals are reluctant to do anything to reduce the proceeds from property sales.

The last budget was in surplus mostly because of an almost \$600-million windfall from the property transfer tax. They are budgeting for \$3.6 billion in returns from the tax over the next three years.

But in political terms, de Jong is seeking to reframe the housing debate as a debate about economics.

The New Democrats emphasize the need to discourage foreign buyers, the Liberals push to increase the housing stock. The party that would decrease demand versus the one that wants to increase supply.

A classical economic showdown, and one slated to play out between now and the next election.

## 7 Comment(s)



[Ricketty Rabbit](#)

12 May 2016

06:34

The debate IS about economics - the economics of China, with its "great rolling ball of money" in search of assets, as Bloomberg puts it. China is creating incredible asset bubbles at home and exporting them to other countries with its policy of increasing the money supply and flooding its home market with cash and investment fuelled by the fastest rising level of debt in human history.

Check out this article in Bloomberg written by American economist working in Shenzhen China as a professor of economics and finance. He's one of the foremost experts in this area.

<http://www.bloomberg.com/view/articles/2016-05-08/why-china-is-so-prone-to-bubbles>

De Jong and the BC Liberals will manage to delay any action until the damage is irreversible, which it may already be. Apartments in Metro Vancouver are now being subjected to the "purchase price is over asking price" pattern seen in Vancouver detached housing in the past year. People are panicking, thinking this is their "last chance" to own a home - any home - in Metro Vancouver.

This is largely driven by an asset bubble in China plus the enabling factor of historically low interest rates. I'm surprised pensioners aren't up in arms about it. The low interest rate policy is essentially a tax on savers and a subsidy to borrowers. It's our low rates of return that are helping borrowers chase up the price of housing.

And guess who is benefiting from this debt and our lower rates of return - friends of the government in the real estate and housing sector. It looks like yet another manipulation of the economic system to favour insiders.

[comomark](#)

12 May 2016

09:25

Ah yes - friends of the government. Of course we all hope the government is our friend. Like the Friendly Giant - without Rusty and Gerome. As we begin a round of electoral reform federally, remember it failed in BC, we can only hope for a model that causes government to be more friendly. Other words for friendly might be responsive to our needs and opinions, really having our long term interests at heart.



[RHW](#)

12 May 2016

11:11

With 60% of the committee Liberals who used the system to get there. Good luck with any real reform.

[Mr Bill](#)

12 May 2016

12:14

Attracting investors by driving out citizens born here would seem to be a stupid policy with an election on the horizon. As one who has supported this government in the past this attitude will result in the loss

of my vote. Yes my home is wildly more valuable but both my sons (6th generation Vancouverites) moved away because they couldn't afford to raise a family here.



[RHW](#)

12 May 2016

17:24

Should have lent them some money billy.

[George T Cunningham Library - CTZ](#)

12 May 2016

23:37

What a bunch of baloney. Either that or they're all simpletons who couldn't get past first Econ. Disgusting.

Thomas of VPL Library

13 May 2016

01:21

Anyone who expects the BC Fiberals to do anything to reduce the speculation on Vancouver real estate would be a good candidate for those selling the Eiffel Tower. Christy and her cohorts know full well that the stinking rich and slightly less smelly rich who own property of interest to the Chinese are the core of her electors in the run up to next years election.