

Heightening demand will push home prices further: economist

‘Affordability will worsen’ even if the cycle turns from boom to bust

High house prices are crushing the young demographic’s dreams in this province.

Metro Vancouver house VICTORIA prices will more than double over the next 25 years, as supply continues to be tight and more people move to the region, a B.C. economist predicts.



A UBC associate professor says a rise in interest rates would be a step toward bringing some balance to the real estate market in the Lower Mainland.

Helmut Pastrick, chief economist with Central 1 Credit Union, said Metro’s housing market has taken a hit with the recent 15 per cent foreign buyers’ tax, but demand for property will likely rise in the long term because there is little room to expand in geographically constrained Metro and a million more people are expected to move here by 2041.

This demand will likely worsen affordability and force more young people to rent for longer, he added, as incomes won’t rise at the same pace. Metro Vancouver home prices have ballooned in recent years: Just recently, a student flipped a Point Grey property for a \$1.6-million profit within a year.

“We just have a shortage of land,” Pastrick told delegates at the annual Union of B.C. Municipalities convention Tuesday. “As long as we have ongoing growth, we will see increased demand for housing. I think it will be a national and global development as well.”

Pastrick said such cycles aren’t new. There have been constant rises and dips in B.C.’s housing market, he said, with a series of recessions since 1957 in which prices dropped between 10 per cent and 35 per cent. Pastrick said he couldn’t predict when the next recession will strike, but wouldn’t be surprised if, in the meantime, the provincial government considers other measures to cool the market. This could include requiring higher down payments for first-time homebuyers or a gradual increase in interest and mortgage rates.

“This cycle will come to an end, but affordability will worsen,” he said.

“Someone once said: they don’t make land anymore. We will see more renters than we do today, largely because of the unaffordability.”

Paul Kershaw, associate professor at UBC’s school of population and public health, said interest rates should be increased. They are helping to fuel the sluggish economy, he said, but the availability of cheap cash is driving up housing prices across B.C.

He and UBC’s Thomas Davidoff have a more controversial suggestion to cool the market: increase taxes for older homeowners — most likely seniors — who have paid off their homes and accumulated wealth in those properties.

The idea concerns North Saanich Mayor Alice Finall, who said many of her residents are already “house poor” and said “a higher tax may make it impossible for them to stay in their home.”

Kershaw acknowledged such a tax may be unpopular, but said people over 55 can defer taxes until they sell. Meanwhile, a younger buyer, on average, would need 15 years to save enough for a down payment, and that would likely only be enough for a condo.

“High house prices are crushing the young demographic’s dreams in this province,” he said.

He also suggested the province cut income taxes, provide more rental accommodation and reduce the cost of child care, parental leave and transit so young families don’t have to take out a second mortgage to care for their children.

Davidoff, meanwhile, said the province should go beyond Vancouver’s vacancy tax and insist all B.C. homes that are not used as a primary residence face a higher tax.

They already do since only primary residences can claim homeowners grants! - cjk

Politicians also have to get tougher with zoning practices, he added, saying they hold public hearings for one-off rezonings and end up bowing to residents who want to keep luxury single-family homes in places like Vancouver’s west side, which leads to renovictions in places where there is weaker opposition, such as Vancouver’s east side.

Davidoff said the province should dictate to municipalities how many apartments, townhouses and single-family houses they need, so municipalities can set targets for themselves and tell developers what to build.



Sounds contradictory for the province to dictate but the municipalities set targets? -cjk

“Over time,” he said, “this challenge isn’t going to go away. It’s going to be exacerbated.”