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Scant evidence behind myth of Vancouver real estate's foreign buyers

By ANDREA WOO

Research firms suggest out-of-country investors have negligible impact on property prices _ despite 'persistent' perceptions to the contrary

The ruse went sideways not long after the broadcasts aired. Two sisters, identified as eager home buyers, perused a downtown Vancouver condo development in news segments about a spike in sales over the Lunar New Year. If they liked the suite, the sisters said, their parents – visiting from China – would purchase it for them.

What followed was a PR disaster. Observant web sleuths identified at least one of the sisters as an employee of MAC Marketing Solutions – the firm selling the condo. Confronted by media, MAC president Cameron McNeill admitted both women were employees and apologized for misleading the public. This week, Mr. McNeill said he accepted the resignation of a senior manager.

While the stunt was roundly slammed, it also reignited a debate among real estate observers: Just how much truth is in the long-standing narrative that foreign money is driving the local market? Anecdotes abound about foreign investors scooping up Metro Vancouver real estate, driving up prices and creating anxiety among locals – a bogeyman haunting the dream of home ownership – but evidence to support such a claim is scant.

Further, do foreign buyers really just invest and leave condos empty – or become new members of the community?

In Canada, realtors do not tally foreign investment in residential real estate.

However, the limited data compiled by research firms suggests the impact is negligible.

"The mythology is that there are hordes of investors coming in Vancouver and driving up prices," said Cameron Muir, chief economist at the British Columbia Real Estate Association. "The only data that we have available suggests that there's anywhere from 1 to 4 per cent of sales across Metro Vancouver that are foreign investors – from all sources. A couple of per cent, in terms of exposure to foreign investment, is not going to drive any investment."

In 2012, the City of Vancouver created an academic working group, under the Mayor's Task Force on Housing Affordability, to determine whether there was any validity to what Councillor Raymond Louie, council liaison for the task force, calls "a persistent theme that has been advanced by some."

The group's final report ultimately concluded it would require considerably more resources for a comprehensive study on the impact of foreign investment, but did yield some interesting findings.

In one case study, for example, Andrew Yan of Bing Thom Architects looked at the amount of energy consumption in a sample of downtown Vancouver condos. Working on the assumption that a condo is empty if it uses less electricity

each month than it takes to power a refrigerator (75 kilowatt-hours), the urban planner and researcher concluded 5.5 per cent of the sample is empty at any given month.

However, even the slightest tweaks led to significantly different results: Raising the threshold to 100 kwh, for example, meant the percentage of potentially empty condos rose to 8.5 per cent; 150 kwh to 17 per cent.

In its final submission, the working group noted cross-referencing information sets from BC Hydro, BC Assessment, provincial home-owner grants and census data would paint a clearer picture, but it would be a costly endeavour, likely requiring the partnership of multiple levels of government. Mr. Louie said it is simply not feasible for the city to commit considerable time and money to a study whose results may not prove meaningful.

Meanwhile, 2012 figures from Landcor Data Corporation show that only 0.2 per cent of people who bought residential properties in Metro Vancouver last year are currently living outside of the country.

Alan Mah has worked as a realtor in Vancouver for nearly 30 years and says a very small percentage of his clients are from out of country. Of those, most are looking to secure better lives for their children by moving to Metro Vancouver – a marked difference from merely purchasing investment properties.

"Most people from China, for example, are coming here for their kids' educations," he said.

Such is the case with James Liang, who moved to Vancouver from Shenzhen, China, with his family two years ago wanting stability, a better environment and a more rounded education for their two daughters.

"We want our kids to know society more," said Mr. Liang, who hopes the girls will grow up and remain in Canada. "In China, the education, especially for high-school students, is mostly focused on [academics] like math, physics, chemistry. We want our kids to have a lot of other activities, like playing piano, joining the band, swimming, [first-aid courses]."

With financial assistance from Mr. Liang's in-laws, the family moved into a small Vancouver Special (houses built in a particular, box-like style) in the Dunbar area. That neighbourhood, along with areas including Shaughnessy and parts of Richmond, are among those most favoured by foreign buyers, realtors say.

Jeff Fitzpatrick, a realtor with Sotheby's International Realty Canada, said influxes to certain pockets of a city can have a cascade effect. If offshore buyers scoop up the real estate in Point Grey, for example, a young professional in Vancouver who might have purchased there years ago might instead move to Main or Fraser streets. As a result, those markets are then priced up.

"Now the janitor who was hoping to buy a house along Main Street is now buying in Burnaby," he said.

However, Mr. Fitzpatrick also notes the difference between investors and new residents: "The people that are buying this stuff are [often] residing there; they're making an investment in the neighbourhood as well," he said.

"They're going to be buying milk, and buying gas and buying a car. They're not just going to be renting these [properties] out. So does that technically qualify as a domestic purchase or a foreign purchase? It muddies the water a bit."

The working group's final report also asked whether a non-resident (including foreign) investor would have a different impact from a B.C. resident investor.

"We really need to have a dialogue on this topic, because it has become a lightning rod to a lot of other issues in this city," Mr. Yan said. "We need more than urban myths and random anecdotes. The issue of foreign ownership has created an ambience of insecurity and fear, as opposed to hope and promise – which is a more constructive way of building cities."

As of February, residential property sales in Metro Vancouver remain slow. Last month's sales were the second-lowest January total in the region since 2001 – 18.7 per cent below the 10-year sales average for the month, according to the Real Estate Board of Greater Vancouver.

Sales of detached, attached and apartment properties were down 22.7 per cent in 2012 from the year before.



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