

Vancouver's housing crisis

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Jessica Devlin looks at the housing market in Vancouver, Canada ? one of the least affordable places to live on the planet ? and uncovers familiar problems

An ageing population settled in single-family homes, limited housing supply and foreign interest in real-estate investment have together led to Vancouver's house prices soaring by more than 40% since 2014.

The city also faces land development restraints such as an agricultural green belt, a large mountain range, multiple inlets, the Pacific Ocean and the border with the USA to the south. These conditions have driven house prices and rental costs up, making the city the third least affordable place to live in the world after Hong Kong and Sydney; London does not even make the top 10.

Upward trend

Since Vancouver's incorporation in 1886, real-estate prices in the city have followed an upward trend. In the past decade, that trend has increased exponentially, with the price of detached houses rising by 86% between 2005 and 2014, then jumping a further 40% from 2014 to 2016. Condominium prices have followed a similar pattern, albeit to a lesser extent.

Despite calls to restrict foreign investment, recent data shows that foreign buyers only make up about 4% of housing sales, on a par with other major urban centres. The majority of foreign investors are from mainland China and Hong Kong, followed closely by US and European investors.

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Chinese investment took off in the 1980s and 1990s before the Hong Kong handover. Following Vancouver's 1986 World Expo, a wealthy Hong Kong businessman, Li Ka-Shing, purchased a swathe of land comprising around one-sixth of Vancouver's downtown core. His development rejuvenated the space and brought some 50,000 residents into the area. It has since thrived as a mixed-use, densified, urban neighbourhood. Ka-Shing's landmark development turned a global spotlight on Vancouver as a place for favourable investment.

Domestic population growth and interprovincial migration, coupled with stable economic conditions and falling interest rates, have proved more influential than foreign investment,

pushing up homeownership rates and demand through the 1990s into the new millennium. Along with many other cities, Vancouver has experienced a rapidly growing population of working-age residents, some of whom were able to get on to the property ladder before prices began to skyrocket.

Despite the demand, housing supply has not kept pace. As a result of land restrictions and stringent zoning policies, the land available for single-family homes in Vancouver is virtually non-existent. The housing supply gap has mainly been met by an increase in condominium developments. With so few new detached houses making it to the market, existing lots have become highly coveted.

Policy response

The provincial and federal governments have recently taken steps to try to cool the overheated market. Unable to control interprovincial migration, demographics or land supply, the governments have targeted foreign investment, speculative buying and poor practices in the real-estate business.

In February 2016, the provincial government brought in a higher tax rate on the portion of a property that sells for more than \$2m, and in August, established a 15% foreign buyers' tax for homes in the greater Vancouver area. Locally, the City of Vancouver introduced a tax on empty homes set at 1% of the assessed property's value.

Federally, the government has taken several steps to reduce the risk associated with an inflated housing market, including increasing down-payment requirements for high-ratio mortgages, clamping down on tax evasion through house flipping, and mandating a mortgage rate stress test on all new mortgage applications.

These measures, as well as the end of the self-regulation of the professional real-estate business, seem to have cooled the housing market slightly. Housing prices have plateaued, and in some areas even dropped slightly. Sales of homes are also lower than previous years.

The long-term effects of these steps have yet to be seen. However, with Vancouver repeatedly topping the world's most liveable city lists, it is hard to see a dramatic decrease in house prices any time soon.

[Jessica Devlin](#) recently moved from Vancouver and is reading for an MSc in Sustainable Urban Development at the University of Oxford.

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