

A scenic view of the Vancouver skyline across a body of water, with a couple sitting on a bench in the foreground. The image shows a clear blue sky, a calm body of water, and a dense cluster of modern skyscrapers in the background. In the foreground, a couple is sitting on a wooden bench, looking out at the city. The scene is framed by the branches of a tree with yellowing leaves on the left side.

INVESTIGATING VANCOUVER'S HOUSING CRISIS

Social-Economics, Immigration and Policy Decision Issues
A Consulting Project Dissertation


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EXECUTIVE SUMMARY

This 'Investigative Report' dissertation examines the strength of the link between the housing problems and foreign investment, specifically the two interrelated aspects of this subject matter, i.e. 'unoccupied residential units' and 'foreign investment in real estate'. How large the number of unoccupied units is, its influence on the price and rents of housing and its affordability by Vancouverites, and the roots of crisis in foreign investment.

My studies in this report indicate that the imposed tax policies such as 'Empty Homes Tax - EHT' on unoccupied units to encourage owners to rent out, and 'Foreign Property Buyers' Tax - FPBT' on foreign investments to control prices and increase occupancies, had limited effect on the rental market and they could not properly solve the issue yet and the available evidence suggests that the business immigration program hasn't fulfilled the aim of encouraging entrepreneurial economic activity but had the unintended consequence of contributing the property price bubble.

Therefore, from my list of recommendation and proposals (see details in page 33), I suggest:

- If an investor is not a Canadian citizen or a permanent resident in Canada who genuinely plans to live and work in Vancouver, must not be permitted to purchase a residential property. More details on how this can be implemented is mentioned in my proposal.
- Regardless of the size of investment (any figure), federal government should not grant citizenship and residency permit to foreigners based on residential land or residential property purchase only.
- The revenue from EHT / FPBT taxes can be allocated for building units for low-income earners to rent. This can support and partially finance the 2016/17 initiative to build affordable housings.

Furthermore, this report is intended to add some clarity to the conflicting real estate situation in Vancouver and is to help our newly elected local policy makers as well as Vancouverites to navigate their thoughts through many of the claims being made about the current crisis by the media and real estate. In general, the arguments in this paper drive from having some background in economics, public financial management, social debates, journals and field experts' reports, available literature reviews and secondary data gathered by local academicians.

While this report also provides a broader outlook to the crisis by making some references to lessons from similar situations in other countries, for two reasons this report is less concentrated on cases across other cities in Canada or overseas:

1. This report is a single case study policy analysis. Therefore, the aim is not to conduct a quantitative analysis to test a hypothesis but to draw broader lessons from similar situation and effectiveness or otherwise of policies. 2. Since this is based on a consulting project, my firm and its client wanted this report to gather only the available secondary data, and stay focused on Vancouver; therefore, this investigative report specifically addresses housing crisis in Vancouver, British Columbia.

Moreover, here I would like to address the issue of 'racism'. This report contains materials from academics and experts which puts a lot of the blame for the housing crisis on foreign buyers, China in particular. It states so, simply because this is where the evidence points, and not because there is any foreign or anti-Chinese sentiment. The evidence shows the investment in real estate is foreign, and substantial enough to seriously affect the housing market.

The inclination to protect the local real estate market from adverse foreign investment impact is an understandable reaction by the hard-working locals – as most Vancouverites want to be able to have a chance to purchase or at least afford to rent a decent property. In Vancouver, that is becoming increasingly difficult, in large due to massive flows of money from outside Vancouver and abroad. This is supported by evidential reports published by National Bank of Canada (2016) and Hurun Reports (2016), the details of which are shared in the body of this report.

TABEL OF CONTENTS:

1. Introduction.....	6
1.1 Aim and Objectives	
1.2 The Plan of The Report	
2. Literature Review.....	10
2.1 Introduction	
2.2 – A: Specific Sectors:	
A1. Unoccupied Units: Empty Homes Tax	
A2. Foreign Investments: Foreign Property Buyers' Tax	
A3. A3. International Overview: Australia & New Zealand	
2.2 – B: Theories and Framework	
B1. The Economics Theory of Supply and Demand	
B2. Income	
3. Methodology.....	25
4. Appraisal of Policies and Their Effectiveness.....	26
4.1 Frameworks in Context of My Appraisal	
4.2 Income & Affordability in Context of the Framework	
4.3 Situation Analysis	
4.4 Policy Effectiveness	
5. Recommendation & Proposals	34
References.....	38

1. INTRODUCTION

Vancouver is a coastal seaport city, located in the Lower Mainland region of British Columbia, in Western Canada. It is one of the most attractive and diverse cities to live and work in, hence it is among Canada's densest populated cities. It also has the tightest rental market with one of the lowest vacancy rates in Canada, averaging 0.9% over the last 30 years (CMHC, 1975; 2014).



Exhibit 1: British Columbia map
Source: StatCan

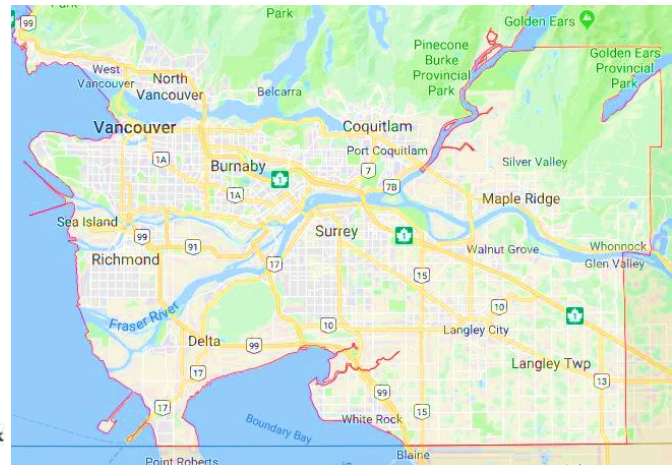


Exhibit 2: Greater Vancouver map
Source: Google Map

Having access to affordable housing for those in need of rental units is imperative to the social and economic well-being of the city as well as its people (www.vancouver.ca, 2018); but the housing situation in Vancouver is facing a major crisis leading to a shortage of affordable rental accommodation and high rents for medium to lower income households and very high property price. The following interrelated elements are considered to exacerbate the housing crisis in Vancouver:

1. Foreign investment in the residential real estate, which caused:
 - a. property prices to increase,
 - b. rental properties unaffordable for low-income earners.
2. Unoccupied units are creating shortages for affordable rental demands.

Here I would like to briefly comment on each in turn as context for this study:

External capital inflows into the high end of residential real estate the market have led to ripple effects further down the property ladder in Vancouver. Much recent attention has been on Chinese investors, parking their wealth in real estate in gateway cities like Vancouver. A fundamental problem is that housing is being treated primarily as an investment rather than as a place to live. This is having a knock-on effect in the rental market causing tenants in renting housing, stay longer and unable to purchase their own property, and a shortage in available rental units. Local municipality and the regional government have taken steps to encourage new affordable rental units by introducing certain tax measures as discussed in the literature review; however, their results for more affordable units and price reduction may still be out of reach for most low-income households.

The unrestricted non-resident ownership of local real estate is currently inevitable nor desirable. For the most part, the local real estate market should be limited to those who live and work in the city most of the year. Domestic and international immigration is certainly welcome but should not be confused with non-resident investment.

As a Vancouverite, my company and I would like to address this issue with some constructive suggestions, which may bring alternative strategic solutions.



Vancouver Water Front. Source: Pixabay, Creative Commons

1.1 - Aim and Objectives:

This paper is an 'Investigative Report Project', as assigned by my company and as specified by its client. Supported by the evidence, the aim of this investigative report is to appraise the strength of the link between the housing problems and foreign investment, specifically the two interrelated aspects of this subject matter, i.e. '**unoccupied residential units**' and '**foreign investment in real estate**'. How large the number of unoccupied units is, its influence on the pricing and affordability, and the roots of crisis in foreign investment. Moreover, this report discusses the effectiveness of policy measures to alleviate the adverse effects and appraisal of policies and lessons learnt from other countries with similar situation, naming Australia and New Zealand.

The objectives of this paper are:

- To investigate the roots of Vancouver's housing crisis, with respect to shortages of affordable rental units in metro Vancouver;
- To investigate social-economic and policy issues by looking into the past historic policy decisions, which may have contributed to the crisis;
- To study the influence of foreign investments in residential real estate on Vancouver's housing crisis;
- To examine this crisis from the citizenship/immigration point of view. How foreign investment on residential properties is connected to obtaining citizenship;
- To make some suggestion and recommendations to address the crisis.

To satisfy my objectives, I will use:

- Some relevant literature reviews, official statements and reports published by the city officials, secondary data gathered from studies and analysis conducted by the experts in the field, as well as some opposition voices against the current policies.
- Empirical evidence on 'household income and its relationship with pricing / affordability of housing', as well as 'impact of foreign investment in real estate on pricing and economics of housing'.
- A closer look at the immigration and tax policies, including 'Empty Home Tax (EHT)' on unoccupied units, and 'Foreign Property Buyers Tax (FPBT)' on those foreigners purchasing real estate properties in Vancouver, BC.
- An outline of strategic suggestion and recommendations to consider tackling the crisis.

1.2 - The Plan of The Report:

As we continue in segment 2, I will share my literature review, will discuss the cases of 'Unoccupied units: Empty House Tax (EHT)', AKA 'Speculation Tax' and 'Foreign Investments: Foreign Property Buyers' Tax (FPBT), as well as the root of the problem in immigration program of 1978. I will also provide a broader international view on this subject matter by looking elsewhere with similar issues – countries such as Australian and News Zealand. Segment 3 contains methodology, including data on Foreign Property Buyers, similar cases in other countries and income and affordability. My appraisal on policy and effectiveness is described in segment 4, followed by a detailed list recommendations and references.



Down Town Vancouver Sunset: Creative Commons: MagnusL3D - Source: Flickr.com

2. LITERATURE REVIEW

2.1 - Introduction:

This includes several papers and reports published by experts in the field, including a study on Vancouver's housing affordability by John Gordon of Simon Fraser University (Gordon, 2016, pp.19-22), the analysis of data on the effects of the Empty Home Tax by Thomas Davidoff (2017), associate professor and director of UBC Centre for Urban Economics and Real Estate. (www.blogs.ubc.ca, 2017) and Urban Studies by Steffen Wetzstei (2017) of University of Western Australia. My literature review also shares an international outlook by looking into similar crisis overseas, and later examines them with economics frameworks such as supply and demand and income.

I found their studies relevant to this project because the first addresses the impact of 'foreign investments' and 'immigration' on the housing crisis, the second examines whether newly implemented tax policies have had any positive impact on the rental housing market, and the latter by Wetzstei (2017) shows that similar issues exist internationally, in countries such as Australia and New Zealand.

2.2 – A: The Specific Sector:

Housing crisis in Vancouver is of major concern to the public who are directly affected by it and policy makers and researchers and further it has several dimensions including social welfare, human rights and economic prospects for individuals and the city.

Since Vancouver is listed as one of the top three livable cities in the world (The Economist, 2017), many believe, the rental housing crisis is due to foreign investment from both overseas, and other cities within Canada. It includes Canadians who own residential properties in Vancouver for their leisure or occasional visits. It is argued that foreign investors purchase properties for their leisure, seasonal visits, or investment portfolio, while keeping them unoccupied for most of the year or simply empty/unfurnished till the right time comes to make a sale for profit. (www.ctvnews.ca, 2017)

So, on one hand, we have a considerable number of unoccupied properties that could be used to ease the rental demands, and on the other, we have the foreign investors, who although are injecting money into the economy, they are influencing the market and housing prices causing the current crisis. As for latter, what matters most for price trends is the flow (share of current buyers) not stock (share of all owners) By any standard, that share of buyers is sharply moving a housing market. If we look only at the non-residency data from StatsCan, the influence of foreign money is apparent: for condos that were completed in 2016–17 in Metro Vancouver, roughly 16% were owned by non-residents. (StatCan, 2016)

From the economics point of view, here one may argue that the increasing demand from foreign investors is the major cause for housing prices to soar, resulting in unaffordable housing for plenty of Vancouverites, but to examine that, we also need to look at the supply side of the housing in Vancouver market. According to 'Planning and Development Review - Council update' in 2017, there are "1,458 new residential construction projects, or ~11,000 units, with applications to construct in process and ~32,320 more units planned in Rezoning and Pre-application stages." (Krisshna and Kelly, 2017). However, the latest report and statistics from the British Columbia Real Estate Association (BCREA) has a different reading. According to BCREA, the housing supply is not meeting the demand. According to Cameron Muir (2017), BCREA's chief economist, 'the ratio of home sales to active listing was more than 50% in May 2017 a ratio of 12% to 20% is considered balanced. When the ratio is above 20% over a period of time, there's upward pressure on prices... The challenge is meeting a strong demand'. (BCREA, 2017)

"Demand for condominiums and townhomes is driving today's activity in the real estate sector. First-time buyers and people looking to downsize from their single-family homes are both competing for these two types of housing." said Jill Oudil, president of the Real Estate Board of Greater Vancouver (REBGV). (www.rebgv.org, 2017) For all property types, the sales listing ratio for December 2018 is 7.1% for detached homes, 12% for townhomes, and 14.2% for apartments. (BCREA, 2018)

According to the Muir report (2017), 'While foreign investors are clearly adding pressure on the Vancouver housing supply, there are significant intra-provincial migrants, who also put pressure on the situation'. (www.whichmortgage.ca, 2017) The over-riding demographic story of Metro Vancouver is that it has for decades been expanding by an average of about 30,000 people annually. The population of Metro Vancouver has doubled in 35 years. (StatCan, 2015-17) Metro Vancouver is growing faster than the rest of the province. From the 4.6 million residents of B.C., more than half now live in Metro Vancouver. (StatCan, 2017) About 85% of Metro Vancouver's newcomers come from other countries, particularly India, China, Japan, the Philippines, Iran, Pakistan and the United States. (www.metrovancouver.com, 2017) In comparison, the 2,000 refugees who come to Metro Vancouver from Syria in 2018 are a drop in the ocean.

Respectively, the most debated consequence of rapid in-migration is housing costs. Statistics Canada data (2016) reveals Metro Vancouver has been growing for a second reason, albeit a much less important one. Many people are again coming to the West Coast, and Metro Vancouver, from other provinces. The demographic switch is particularly due to Albertans leaving their province for B.C. because of falling oil prices, as well as Ontario residents escaping cold winters.

Although Metro Vancouver is chosen by only about 40% of such inter-provincial migrants, Metro still had a net gain of roughly 5,000 people in 2015-16 from other parts of Canada. (StatCan, 2016)

Contrary, Gil Kelley, Vancouver's General Manager of planning believes focusing on demand by fixing supply won't solve the problem. "The city can't build its way out of its housing crisis by focusing solely on increasing supply — it's crucial. Adding housing supply alone won't improve affordability in a city with a 'very extreme level of speculative investment' in real estate, primarily in high-end condominiums." He said to Vancouver Sun. (www.VancouverSun.com, 2017) In his report, Kelley (2016) cited Statistics Canada data which showed that 21,820 homes were empty, and 3,675 homes were used by temporary and foreign residents, for a total of 25,495. Out of the 25,495 homes, 60 % or 15,280 were apartment units.

Now, the above bring us to take a closer look at 'Unoccupied Units' and 'Foreign Investment' in turn and see how government is currently trying to tackle them:

A.1 - Unoccupied Units: Empty Homes Tax (EHT)

A city of Vancouver report to the council shows 25,495 units were unoccupied or occupied by temporary and/or foreign residents in 2016. The data displays a 98% increase from 2001 when the number was 12,885 homes. (www.vancouver.ca and www.statcan.gc.ca) The report was written by Gil Kelley, the General Manager of planning, urban design and sustainability of the city of Vancouver, with data collected from Statistics Canada (Exhibit No. 3). (www.statcan.gc.ca, 2016)

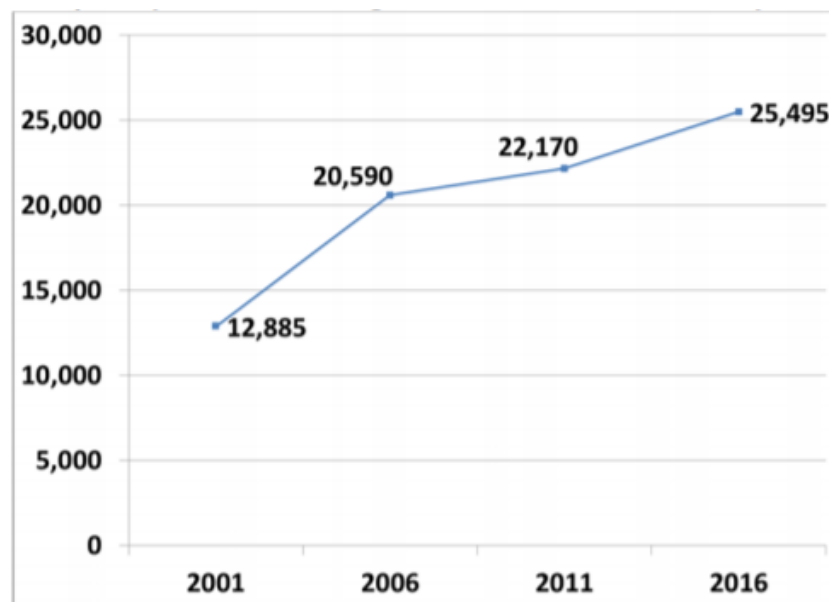


Exhibit No. 3 - Number of Unoccupied Units. Source: Statcan.gc.ca

The report cited a Statistics Canada definition that considers a dwelling to be unoccupied if it satisfies conditions for year-round occupancy but had one individual residing in it on Census Day. “A person is deemed a temporary resident if the individual living at the home on Census Day has a usual place of residence elsewhere in Canada. A foreign resident is one whose usual place of residence is outside Canada.” (www.statcan.gc.ca, 2016) A home was deemed non-occupied in a given month if its electricity use showed little variability for 25 or more days, a number selected to allow for infrequent use of a home. If a home was not occupied for each of four “non-heating” months — August, September and the following June and July — it was deemed empty for a given year. That methodology would catch homes purchased by investors and left perpetually empty.

BC Hydro (the Electricity provider) was protective of the data for privacy reasons so more detailed information could not be released.

Kelley also cited results of a survey conducted by the city last fall (only on owners, who did not rent their properties) on why owners are not renting out their homes. 57% of responses indicated that the home was not rented because it was used occasionally by owners themselves or their friends and family. 22% of the responses indicated that strata rental restrictions prevented a home from being rented out. Strata Corporation is a property management company, which can implement a Rental Restriction Bylaw. Sometimes a strata corporation or residential section will have a limit on the number of strata lots that can be rented. (www.vancouver.ca, 2016)

The remaining 21% owners/tenants could not be reached out or in many cases not even identified as purchases were made by proxy buyers.

Since the local government decided to tackle the empty houses by taxing them, the above study was conducted to establish the number of homes that could be impacted by the ‘Empty Homes Tax – EHT’ program. (www.cbc.ca, 2016) The City of Vancouver voted in favor and approved the EHT in May 2016, as a solution to address the increasing crisis in housing market. Accordingly, every owner of residential property in Vancouver must make a property status declaration for the 2017 calendar year, with declarations due on February 2, 2018. This is communicated with the property owners via direct mailing on several occasions, telephone messaging, and repeatedly through media. As described below, a late payment or offence penalty is also allocated.

“This act is the first of its kind in Canada and it is to encourage owners to rent out their vacant units or face a 1% tax on the property's assessed value.” (www.cbc.ca, 2016)

While many admired the city councillors for voting in favor of EHT and became hopeful that this would potentially bring thousands of units available to rent, some owners and field specialists were not pleased with this decision and questioned its entire effectiveness. They argue that there might be plenty of reasons for the owners leaving their units furnished but unoccupied for more than six months.

Michael Geller, architect and adjunct professor at the SFU Centre for Sustainable Community Development says: “it is unfair to pay tens of thousands of dollars on EHT on top of the annual property tax” (www.VancouverSun.com, 2018). Moreover, the new EHT law states a late payment penalty of 5% and \$10,000 per day fine for any continuing offense. (www.council.vancouver.ca, 2018)

Study and Data on Empty Home Tax (EHT):

While the result of filling for EHT and its revenue for the government are yet to be seen and fully reported in 2019, the question here is: Did this act have any positive impact on housing market for rental units?

Thomas Davidoff, associate professor and director of UBC Centre for Urban Economics and Real Estate, in his analysis of Empty Homes Tax, states:

“...To investigate whether there are any indications that Vancouver homeowners have been increasing likely to rent their homes on since spring, 2016, I use panel data obtained from Craigslist listings. For a variety of research projects, I have been gathering data on rental listings from Craigslist since March of 2016. (There are Canada Mortgage and Housing Corporation - CMHC data on rental housing in Vancouver, but that data is collected at a lower frequency and is importantly lacking in both specificity and generality for present purposes)”. At the outset of his report, Davidoff (2017) acknowledges some limitations of this data. He highlights that the method he used to gather listings from the Internet may not satisfies Craigslist’s terms and conditions. The past methods he used to gather the data, have led Craigslist to shut down his search ability, hence, the need to change data gathering methodology may induce some sort of bias. Furthermore, he acknowledges that it is not obvious how to treat repeated observations on the same day of properties that appear to be identical. The daily Craigslist data that he gathered includes:

- Geographic detail, which can be used to determine whether a listed rental is in or outside of the City of Vancouver;
- Number of bedrooms and bathrooms;
- Square feet of the unit;
- Asking rent.

The study asked two specific questions:

1. As a share of Metro Vancouver Craigslist rental listings, have the share located in Vancouver risen as the EHT has been gradually phased in?
2. Has the rental premium for homes listed on Craigslist being inside Vancouver risen with time, accounting for the unit characteristics observed? Here, he calculates this regression coefficient for an observation being located in Vancouver and at a given date.

Davidoff (2017) emphasises that the data available do not allow us to answer those questions definitively. We have not run an experiment holding all else constant; therefore, the results tabulate below may be spurious: that is, they may be caused by a host of other factors. Because of the long phase-in process, it is not clear that we will ever learn definitively what the impact of the tax is. Economic principles suggest so long as there is solid enforcement, then either:

- A) Will be raised, or
- B) Non-resident owners will rent or sell their units.

YEAR	QUARTER	SHARE OF CRAIGSLIST RENTAL LISTINGS	VANCOUVER RENTAL PREMIUM
2016	2	48%	41%
2016	3	49%	42%
2016	4	53%	42%
2017	1	54%	42%
2017	2	52%	37%

Table 1 - The Craigslist Data on EHT analysis by Thomas Davidoff – Jun 28. 2017

Perhaps here worth noting that Davidoff excludes renters who live in rent-controlled units. Instead he says his data applies to first-time renters or those looking for a new lease. In an ongoing lease scenario, the landlord can not increase rent by somewhat more than 2% over the consumer price index every year; however, when a tenant leaves, the landlord can increase their figure to whatever the market can support.

A.2 - Foreign Investments: Foreign Property Buyers' Tax (FPBT):

A new study by John Gordon (2016), assistant professor in Public Policy at Simon Fraser University suggests, Vancouver's housing crisis is the result of foreign Chinese buyers.

"Vancouver's housing crisis is due to foreign buyers, particularly from China, because 'this is where the evidence points, not because of some anti-Chinese animus. Chinese investors have also spiked home prices in the Toronto region, but Vancouver has seen the highest rise in real estate due to the influx of foreign money reaching an unprecedented level in the last year.'" (www.huffingtonpost.ca, 2017)

Like any other crisis, in order to address and tackle the issue, we need to learn more about the root of the problem. Where and when did the problem start? Gordon's study (2016) states: "In what follows I emphasize foreign investment from China. I do so not because I want to 'single it out' or because there is something particularly bad about it. I do so because in order to build a convincing case for the role of foreign money we simply must recognize the specific source.

Because our governments have not carefully tracked foreign investment, we simply must piece together the case in a manner similar to what I do, with reference to the specific origins of much of the money." (Gordon, 2016, P18)

The Business Immigration Program (BIP) began in 1978 with an 'entrepreneurial stream' that encouraged high net worth individuals to migrate to Canada and set up businesses. It did so by requiring them to have a minimum net worth (which has changed over time with inflation) and to establish a business in Canada that employed at least one Canadian. In 1986, though, another stream was added to the program, the 'investor stream'. After a few tweaks, the investor stream basically required applicants to front the Canadian government a five-year, interest-free loan of \$400,000 and have a net worth of at least \$800,000. The proceeds were then distributed to the participating provinces on the basis of their admission rates. In 2010, these sums were doubled to \$800,000 and \$1.6 million, respectively. In return, these migrants would receive permanent residency. In essence, 'cash for citizenship'.

The investor stream was initiated in 1986 partly in reaction to the deal between London and Beijing which had set up the handover of Hong Kong in 1997. Wealthy individuals in Hong Kong were understandably concerned about the safety of their assets in light of the deal, and the Mulroney government aimed to capitalize on this worry. Not coincidentally, this followed other attempts by Canadian governments at all levels, federal, provincial and municipal, to encourage investment from East Asia into BC's moribund economy. The early 1980s had not been kind to the province, as Vancouver's housing market had seen a 40% price correction and the provincial economy shrank 8% in 1982.

In an effort to resuscitate economic growth, the hope was that foreign capital and entrepreneurship would spur business creation and real estate development. The investor stream was gradually expanded over the years and by 2011 it constituted 89% of all BIP entrants.

There is no need to carefully recount the details and reforms to the system over these many years. 2014 Citizenship and Immigration Canada (CIC) report provide that for the interested readers. (www.cic.gc.ca, 2014) What needs to be said here is two things:

- A) The available evidence suggests that BIP program hasn't fulfilled the aim of encouraging entrepreneurial economic activity but had the unintended consequence of contributing the property price bubble., and
- B) The scale of the migration (wealth and human) that happened to Vancouver is substantial and consisted almost entirely of investors from Greater China.

To the first point (A), the hope was that investor stream applicants would engage in business activities once they arrived in Canada. To the extent they did, however, that 'business' was not really the intended one: 48.8% of investor stream migrants reported that "real estate and rental" was the nature of their business operations. Even more tellingly, only about 10% of the migrants in this stream reported any self-employment income.

But what surprises is that "the average income tax paid annually after 10 years of admission was only \$1,400. That compares to the \$10,900 paid on average by skilled immigrants in other programs, and \$7,500 for Canadians in general. In short, the investor stream migrants have engaged in virtually no economic activity in Canada." (Gordon, 2016, P18, P19, P22)

Recently for 2018/19, British Columbia introduced a new property tax targeting out-of-province owners and increased its tax on foreign property buyers in an effort to tackle skyrocketing prices in parts of the province, Vancouver in particular. The BC Province is extending the foreign buyers' tax to areas even outside Metro Vancouver, with increasing the rate from 15% to 20% taxes on homes valued more than \$3-million are rising too.

The new EHT measure, which the government also calls it a 'Speculation Tax', will impose a fee on out of province owners who buy property here but do not claim any income in the province. Those owners may be exempted from the tax if they rent out their homes to long-term tenants. "We're the first province in Canada that is bringing in a Speculation Tax. ... These are 'firsts' here, and we'll track it carefully." Said B.C. Finance Minister, Carole James (2018). (www.theglobeandmail.com,2018)

This EHT measure includes:

- A focus on vacant homes. The tax will be 2% of the assessed value of properties in 2019;
- An increase to the foreign buyers' tax from 15% to 20% and the expansion of the tax to properties in other major municipal areas in B.C. outside Metro Vancouver;
- An increase in the property transfer tax from 3% to 5% for homes worth more than \$3 million. (BC Ministry of Finance, Speculation Tax, Feb 2018)

While the result of this new measure is yet to be fully seen for 2018/2019, the ministry of Finance is urging the public to be patient, as the government is studying the necessary adjustments.

Data on Foreign Property Buyers' Tax (FPBT):

Gordon's report and his argument regarding foreign investment is supported by the Hurun Data Report, which details the lifestyle and investment patterns of wealthy Chinese citizens. In their 2014 report (Table 2), they surveyed these wealthy people to get a sense of where they most wanted to emigrate to, and where they most wanted to buy real estate. (Hurun Report, 2014; Gordon, 2016)

City	Preferred destination for real estate purchases	Preferred emigration destination
Los Angeles	18%	14%
San Francisco	17%	14%
Vancouver	14%	13%
New York	10%	9%
Seattle	9%	8%
Toronto	8%	8%
Boston	6%	5%
Sydney	2%	4%
Melbourne	2%	4%
Singapore	2%	3%
New Zealand	2%	4%
UK	2%	3%

Source: Hurun Report, 2014.

Table 2 - Hurun Report on Chinese investment pattern – Source: Gordon's report

"Vancouver is clearly a top destination. So, there are strong reasons to suspect that a decent chunk of \$1 trillion investment has landed here. In fact, using these kinds of surveys with better data on the share of money invested in real estate (gathered from the US, which keeps track of this stuff), three economists at National Bank of Canada estimated that around \$12.7 billion dollars was spent by Chinese investors in Vancouver in 2015 alone." (Gordon, 2016)

City	Least Affordable Major Housing Markets (Price/Income Ratio)
Hong Kong	19
Sydney	12.2
Vancouver	10.8
Melbourne	9.7
Auckland	9.7
San Jose	9.7
San Francisco	9.4
London	8.5
Los Angeles	8.1
San Diego	8.1

Source: Demographia 2015.

Table 3 – Demographia 2015 – Source: Gordon’s report

“Just as revealing is to look at the cities in table 1 and to compare them with the least affordable major markets in (much of) the developed world looked at by the Demographia Housing Affordability Survey. Table 3 does this. Some have raised objections with Demographia’s methods and specific numbers, but the broad picture will be accurate. “ (Gordon, 2016)

A.3 - International Overview:

The above study shows that there is a bigger picture here, and the issue is wider, and it is not limited to Vancouver. Steffen Wetzstei (2017) of University of Western Australia mentions: "Housing is increasingly viewed as investment rather than a home. In fact, households have become a frontier of capital accumulation, not just as producers and consumers, but also as financial traders (Bryan and Rafferty, 2014).

Schwartz and Seabrooke (2008) contend that nowadays residential housing and housing finance systems have important causal consequences for political behaviour, social stability, the structure of welfare states and macro-economic outcomes. Their ‘varieties of residential capitalism’ approach moves beyond domestic institutions and local cultures.” (Wetzstei, 2017, p.3160) As mentioned earlier, external capital inflows into the high end of the residential property market have led to ripple effects further down the property ladder. Much recent attention has been on Chinese investors, parking their wealth in real estate in gateway cities. *Here the fundamental problem is that housing is increasingly being treated primarily as an investment rather than as a place to live.*

Australia:

A) The Situation:

The Treasury of Australia claimed the Australian property market is in a significant bubble as the result of foreign investment. (www.treasury.gov.au, 2014)

Various industry professionals have argued that it is not a bubble and that house prices have the potential to keep rising in line with income growth. Some have blamed rising property prices on state governments' restrictions on land supply, driving up the cost of land, lots, and thus homes. Some have also blamed planning rules as acting to restrain supply of housing. (www.theaustralian.com.au, 2014)

B) The Policy Implemented:

In December 2015, following growing concern that Chinese buyers were driving values up and pricing first home buyers out of the property market, the Australian Government introduced new laws to make it tougher for overseas investors to purchase Australian property.

Under the new laws, non-resident buyers can only purchase new properties, not established ones. Non-residents who purchase property in Australia without first seeking approval from the Foreign Investment Review Board (FIRB) also face fines of up to \$135,000, three years' imprisonment or both. Companies breaching these rules can be fined up to \$675,000, while buyers' agents and real estate agents who help foreign buyers violate these rules also face stiff penalties.

In addition to these strict conditions, foreigners who want to buy an Australian investment property must pay an application fee. This fee is \$5,000 for properties valued under \$1 million, and \$10,000 for properties over \$1 million. It then increases by \$10,000 for each additional million dollars in property value. Paying this fee does not guarantee that a buyer will be able to purchase the property they want.

There are tax implications for investing in Australian property. Any rental income one receives from their investment will need to be declared on an Australian tax return, while they will need to pay Capital Gains Tax on any profit made when selling the property. (www.firb.gov.au, 2016)

Soos (2017), an economist at Deakin University in Melbourne said:

"Australia's housing-price climb started 15 years ago – long before China's middle class emerged and started trying to invest globally – and it has become an unsustainable bubble. His research showed that Australia now has the third-highest ratio in the world of household debt to gross domestic product, at 115%. (Canada is down the list, at 92%.) That ratio is a sign that people are taking on mortgage debt far in excess of what the local economy would normally sustain." (www.theglobeandmail.com, 2017)

New Zealand:

A) The Situation:

A good similar example is New Zealand. “New Zealand saw spectacular house price rises of about 114% (82.6% inflation-adjusted) from 2001 to 2007. Then after a pause, there were six further years of substantial price rises 2012-2017, supported by strong economic growth. Because of this, housing in New Zealand has become really expensive, for a country with such a small population relative to its landmass.

New Zealand’s economy expanded by over 3% in 2018, according to the International Monetary Fund (IMF). For the last four years, the economy’s performance has been the strongest since 2007, with growth of 3% in 2017. The results of these price pressures are clear.

Around 40,000 people in New Zealand, or 1% of the population, are living on the streets or in emergency accommodation, according to a Yale University study published in July. This is the highest rate of homelessness in any developed country.

In recent years buying tours by Chinese speculative buyers have caused concern. The issue dominated the October 2017 elections, which saw Labour prime minister Jacinda Ardern ending nine years of government by the conservative National Party. The new government took over the previous government’s plans to introduce legislation to ban foreigners from buying homes in New Zealand.

B) The Policy Implemented:

In August 2018, the parliament finally passed the Overseas Investment Amendment Act, effective in October, prohibiting non-resident foreigners from buying existing homes in the country. Property sales in New Zealand declined by 12.9% to 5,330 units during the year to December 2018” (www.globalpropertyguide.com, 2018)

As for the effectiveness of the implemented policies, I will share my findings in segment 4, ‘Appraisal of Policies and Effectiveness’.

2.2 – B: Theories and Framework

This report benefited from economic frameworks such as ‘Supply and Demand’ and ‘Income’.

B 1. The Economics Theory of Supply and Demand:

This is the relationship between the quantity of a commodity that producers wish to sell at various prices and the quantity that consumers wish to buy. It is the main model of price determination used in economic theory. The price of a commodity is determined by the interaction of supply and demand in a market. The resulting price is referred to as the equilibrium price and represents an agreement between producers and consumers of the good. In equilibrium the quantity of a good supplied by producers equals the quantity demanded by consumers.

Supply: The quantity of a commodity that is supplied in the market depends not only on the price obtainable for the commodity but also on potentially many other factors, such as the prices of substitute products, the production technology, and the availability and cost of labour and other factors of production. In basic economic analysis, analyzing supply involves looking at the relationship between various prices and the quantity potentially offered by producers at each price, again holding constant all other factors that could influence the price.

Demand: The quantity of a commodity demanded depends on the price of that commodity and potentially on many other factors, such as the prices of other commodities, the incomes and preferences of consumers, and seasonal effects. In basic economic analysis, all factors except the price of the commodity are often held constant; price levels and the maximum quantity that would potentially be purchased by consumers at each of those prices. (Sloman and Garratt, (2012) PP14-18; Encyclopaedia Britannica, www.britannica.com, nd)

Of course, as for housing, there other factors that can increase or influence demand. For example, due to its durability, purchasing home or property is a safe asset, it is often considered a good investment, especially in comparison to stock market with higher volatility.

Location, infrastructure, nature and attractions are also among the key factors for a higher demand. If a property is located in an area where major employers open up their businesses or expand to, this may bring new opportunities for betterment. For example, Amazon now has 1,000 researchers and engineers in Vancouver. In November 2017, Amazon announced it would add 3,000 jobs at another downtown site set to open in 2020. (www.globeandmail.com, 2018) This adds demand on housing closer to Amazon’s new headquarters. Having multinational companies expanding in Vancouver such as Lululemon, Microsoft, Sony Pictures, and Facebook etc. affects the economic and income factors of the residence.

Any of course with view to the above, in an effort to manage demand and affordability, the Housing Vancouver Strategy (<https://vancouver.ca>, 2017) states the following upcoming measures and solutions:

- Renter protection manager hired;
- Social Purpose Real Estate Incentive Program;
- Community amenity contribution policy amendments for rental housing;
- New neighbourhood centre planning programs to advance the transformation of low-density neighbourhoods;
- Increased renter protections through enhanced tenant relocation and protection policies;
- Partner in the development of a 10-year regional Indigenous housing strategy;
- Launch Self Regulating Organization - SRO Revitalization Fund;
- Density bonus provisions for rental housing in commercial zoning districts.

One of the critical factors in the economic theory of supply and demand is 'income'. Before I address the 'income and affordability' in segment 3 – the methodology, here I would like to briefly discuss the factor of income and how the city of Vancouver is trying to address affordable housing for low- or no-income earners

B 2. Income:

"Income is the sum of all the wages, salaries, profits, interest payments, rents, and other forms of earnings received in a given period of time." (Case and Fair, 2007, P54)



Canadian Money - Source: C.C.

In the field of public economics, the concept may comprise the accumulation of both monetary and non-monetary consumption ability, with the former (monetary) being used as a proxy for total income.

For cities and communities to thrive, citizens need good affordable living conditions with different income levels. To facilitated affordable housing for low income earners, the city have partnered with VAHA, the largest affordable housing developer in Vancouver. Their mission is to create and implement innovative solutions for below-market housing. Building on City-owned land, VAHA liaises with investment, development, and community partners to create below-market housing options.

Using innovative building techniques and unique partnerships, we are focused on building high quality rental housing for individuals and families on low to moderate incomes across Vancouver. One of its mandates is deliver 2,500 or more affordable housing units by 2021. (www.vaha.ca, 2019)

No Income Earners: Housing First Initiative

Over 2,000 people across the city of Vancouver are experiencing homelessness. Men, women, seniors and youth are suffering both physically and mentally. Providing the right supply of housing, with the right supports for people experiencing homelessness continues to be a top priority for the City of Vancouver.

VAHA's website states: "In September 2017, the BC government committed \$66 million towards the development of 600 new units of temporary modular housing in Vancouver. This will allow the city and the province, through BC Housing, to address the immediate and urgent needs of homeless residents in Vancouver while more permanent housing is being created.

This initiative is intended to respond to the current homelessness crisis by providing homeless residents with immediate access to appropriate supportive housing until they can transition to longer-term housing solutions. "(www.vaha.ca, nd)

3. METHODOLOGY:

3.1 – Vancouver’s Housing Crisis

This ‘Investigative Report Project’ is a single case study policy analysis. Therefore, the aim is not to conduct a quantitative analysis to test a hypothesis but to draw broader lessons from similar situation and effectiveness or otherwise of policies. Since this is based on a consulting project, my firm and its client wanted this report to gather only the available secondary data, and stay focused on Vancouver; therefore, this investigative report specifically addresses housing crisis in Vancouver, British Columbia.

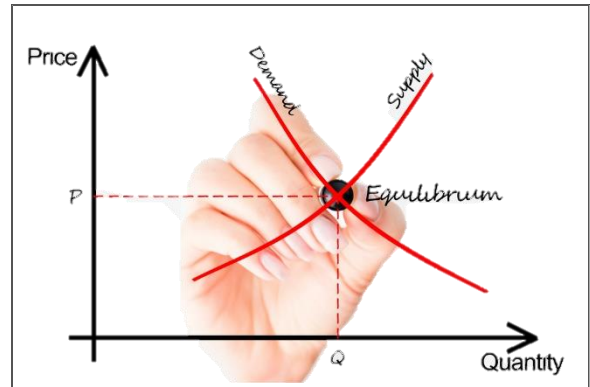


Exhibit No.6 - Supply & Demand Diagram

For this project, I gathered secondary data and evidence as mentioned in table 4:

Type of Evidence	What did it provide	How it was used
Data & Report Published by Vancouver City Manager	An insight in the number of unoccupied units and their influence on pricing and rental shortages	Used as part of my literature review and assessment of the situation
Craigslist Listing Research Conducted by Thomas Davidoff	Insight on the effectiveness of the implemented tax measures on empty/unoccupied units	Shared as part of my literature review and discussed it in my appraisal
Hurun and Demographia Data Reports	Information on foreign buyers and their investment locations	Used in my literature review and studied for my appraisal and proposal
Canada Statistics	Provided facts and figures on income, affordability & immigration	Shared throughout my report and as evidential support form my argument
Vancouver City Council Report	Information and data on properties and related crisis	Shared throughout my report and as evidential support for my proposal

Table 4. Data and Their Use

With a view to the nature of my investigation and availability of data, this is an appropriate approached as set forth by my company and its client.

4. APPRAISAL OF POLICY AND EFFECTIVENESS:

4.1 – Frameworks in Context of My Appraisal

In microeconomics, 'supply and demand' (Exhibit No.6) is an economic model of price determination in a market. It postulates that, holding all else equal, in a competitive market, the unit price for a particular good, or other traded item such as labor or liquid financial assets, will settle at a point where the quantity demanded (at the current price) will equal the quantity supplied (at the current price), resulting in an economic equilibrium for price and quantity transacted.

In Vancouver, arguably the foreign demand for real estate has shifted the demand curve to the right, hence we can see price increases. The economic theories of 'supply and demand' and empirical evidence on 'household income and its relationship with pricing / affordability of housing', as well as 'impact of foreign investment in real estate on pricing and economics of housing' supports the argument of British Columbia Real Estate Association (BCREA).

According to British Columbia Real Estate Association (BCREA), the housing supply is not meeting up the demand. According to Cameron Muir, BCREA's chief economist, "the ratio of home sales to active listing (still available for sale on MLS - Multiple Listing System) was more than 50% in May 2017 a ratio of 12% to 20% is considered balanced.

When the ratio is above 20% over a period of time, there is upward pressure on prices. The challenge is meeting a strong demand." (Muir, BCREA, 2016; 2017) The city council staff report states that the number of homes that are either empty or used by temporary and foreign residents has been increasing since 2001. In 2001 the figure was at 12,885 homes in similar situation. In 2011, the figure was pegged at 22,170 and reached 25,495 in 2016. This shows a 98% increase, i.e. 12,610 additional unoccupied properties since 2001.

According to the 2016 Census, more than 25,000 homes out of the 186,043 residential properties in the city were unoccupied or underutilized. In 2017, the city itself said there are roughly 10,000 homes that are considered under-occupied and at least 10,800 homes unoccupied year-round. (www.vancouver.ca, 2017)

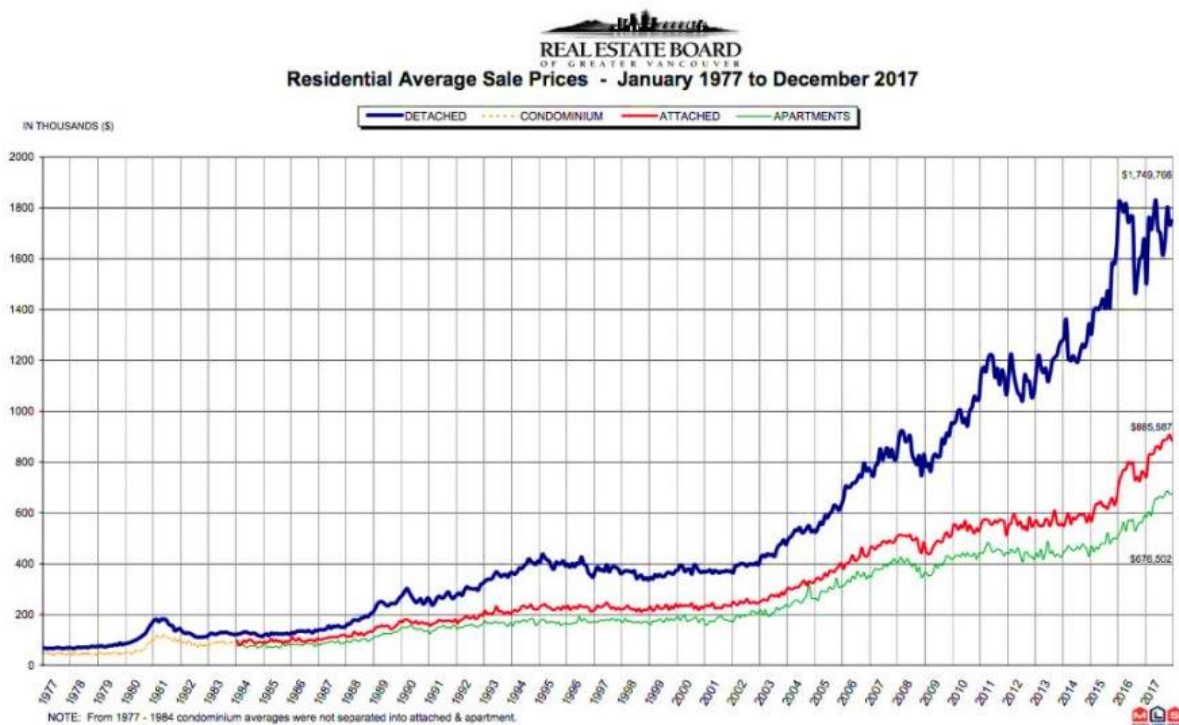


Exhibit No.7 - Vancouver Property Sales

“Greater Vancouver is one of Canada’s — and the world’s — most expensive housing markets, but 40 years ago it was a very different story. The chart above (Exhibit No. 7) highlights average home sales prices from 1977 to 2017. According to the Real Estate Board of Vancouver, in 1977, the average sale price of a home in Greater Vancouver was roughly \$90,000, fast forward to 2017, the benchmark price for all property types was \$1,050,300.

Prices began to fall immediately following the implementation of Vancouver’s 15% foreign-buyer tax in 2016; however, as seen on the chart, prices rebounded shortly after in the beginning of 2017” (Wilson, 2018).

All the above arguments, including our literature review, indicates that ‘affordability’ is a critical factor. Hence, this brings me the next part of our discussion, i.e. the ‘income’ situation of renters in Vancouver.

4.2 - Income and Affordability in Context of the Framework Used:

According to the National Household Survey: "Over 50% of households in Vancouver are renters. This is while Vancouver provides nearly half, i.e. 45% of the rental housing in the entire Mainland (Greater Vancouver, see Exhibit 2), which extends to Langley and Maple Ridge in the east, the North Shore watersheds and Lions Bay in the north, the U.S. border and the Strait of Georgia in the south and west) and 26% of the rental housing for entire British Columbia (NHS, 2011).

To be a home owner in Vancouver, one should have a higher income. The rent charges in Vancouver make it possible only for those with median household total income of above \$63,347 Canadian dollar to rent and live in Vancouver (1.00 USD is currently 1.33 CND). Those with low income find it extremely hard to afford living in Vancouver, and the situation is getting worse for them by increasing the real estate prices and foreign investors, who just purchase properties for occasional visits or for their investment portfolio by keeping them unoccupied.

Affordable housing for families, key workers, young residents, seniors, and our most vulnerable residents. Over 2,000 people across the city of Vancouver are experiencing homelessness. Men, women, seniors and youth are suffering both physically and mentally. Housing Vancouver Strategy and Budget Report (2017) emphasises on 'developing strategies and policies that address affordability issues including increasing affordable housing options, addressing income disparity by implementing a Living Wage policy, and investing in affordable housing and the Downtown East side'. (Vancouver Budget, 2017).

The above report also states that "financial health is improved with strategic investments, prudent service planning performance measurement and operational excellence. At the same time, city strives to keep property tax and utility rate increases manageable for residents with different incomes and businesses." (Vancouver Budget, 2017)

According to the National Housing Survey, ‘The average annual total household income of renters is \$41,500, significantly lower than those of home owners at \$78,000” (NHS, 2011). The following map shows Vancouver amongst the territories ‘severely unaffordable’ in Canada. Renters spend over 50% of their income on rent and utilities (Exhibit No.4, NHS, 2019).

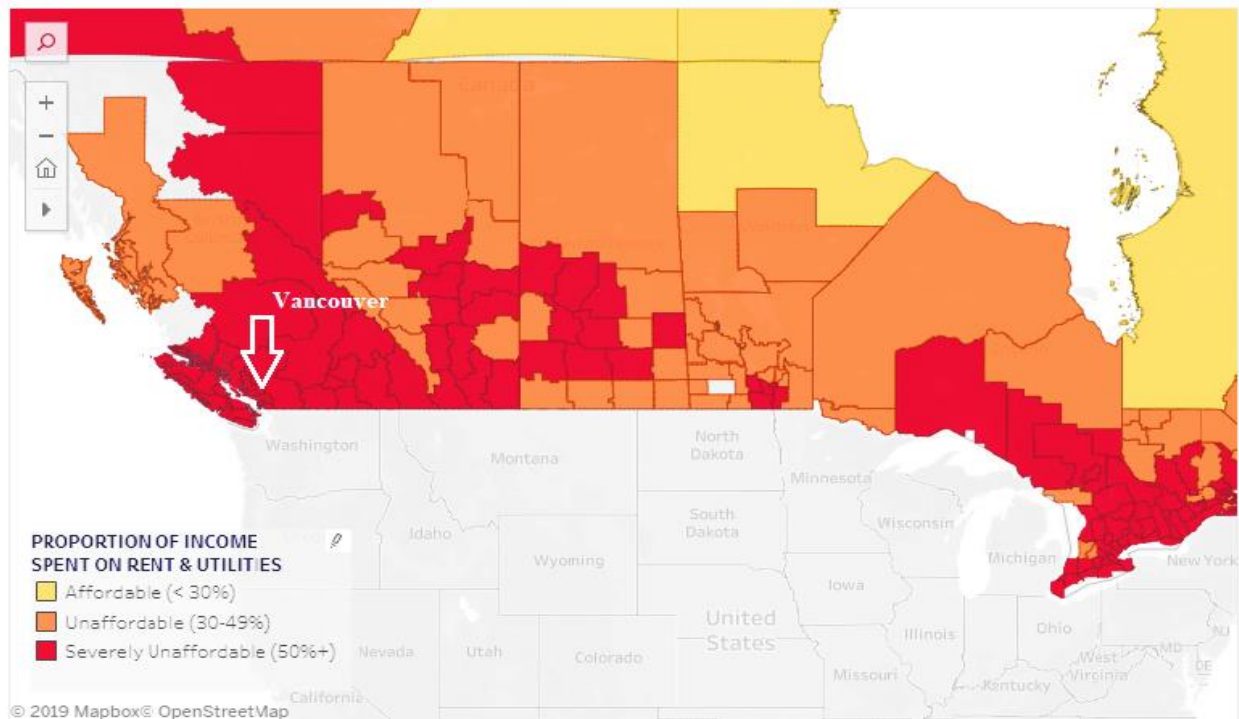


Exhibit 4: Proportion of Income Spent on Rent. Source: NHS 2019

In the study of macroeconomics, ‘income’ distribution is among the major topics. ‘Income’ has a direct influence on market economies. According to The Organization for Economic Co-operation and Development, OECD (2014), ‘income and wealth’ inequality is among characteristic of market economies, which are based on trust, contract, property rights, enterprise and the rule of law. The notion that one can enjoy the benefits from one’s own efforts has always been a powerful incentive to invest in human capital, new ideas and new products, as well as to undertake risky commercial ventures.

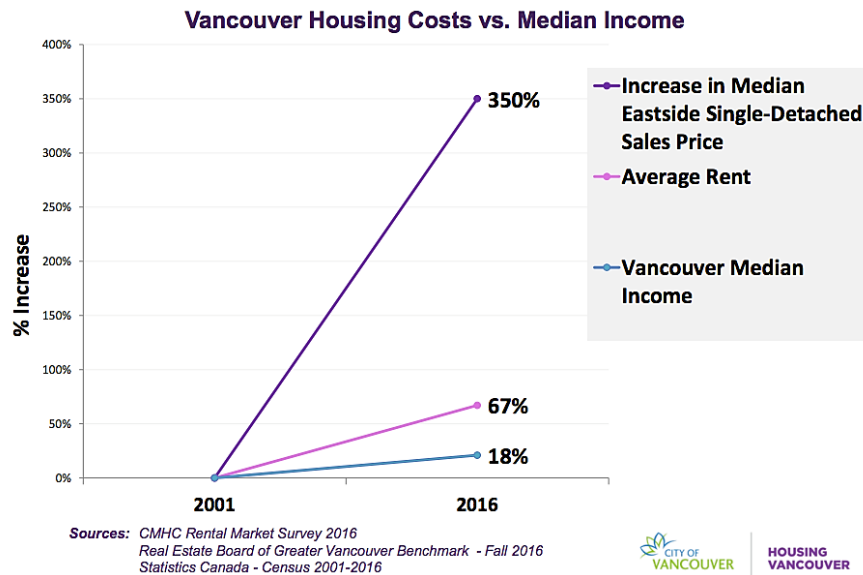


Exhibit No.5 - Vancouver Housing Cost Vs. Income Diagram

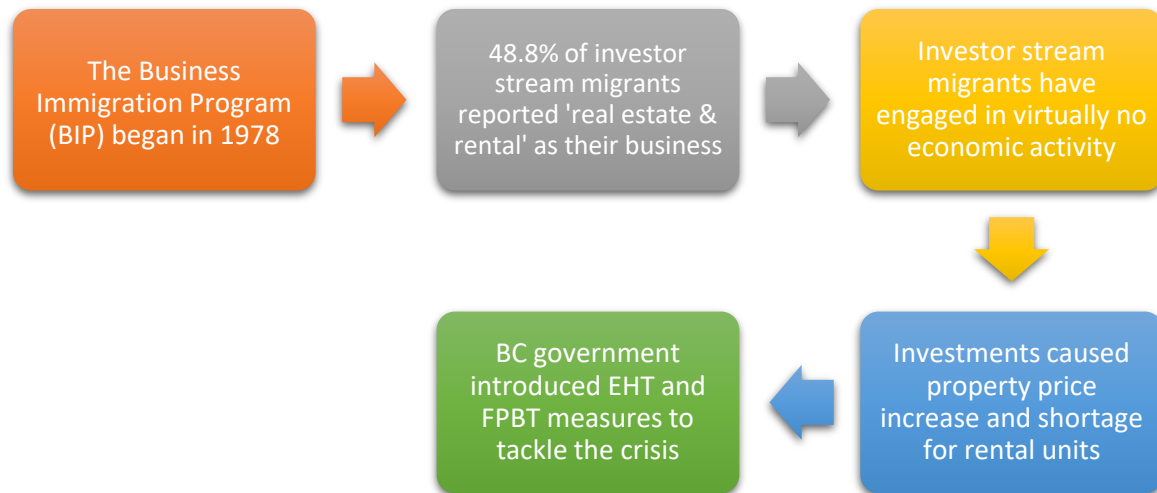
Exhibit No.5 shows how housing costs in Vancouver increased between 2001 and 2016 and that there is a disconnection between Housing Costs and Median Income. Vancouver's problem with low incomes and high housing prices is not anything new, but these numbers highlight the magnitude of the problem for a city concerned about retaining talent and a viable labour pool for service jobs.

But beyond a certain point, and not least during an economic crisis (such as Trade War, NAFTA, Albert's Oil Pipelines), growing income inequalities can undermine the foundations of market economies. They can eventually lead to inequalities of opportunity. This may slow the social mobility, and it perhaps weakens incentives to invest in knowledge. The result maybe a misallocation of skills, and even waste through more unemployment, ultimately undermining efficiency and growth (Ruiz, 2014, p.22).

As mentioned earlier (Exhibit No.4), Vancouver renters pay over 50% of their income for rents and utilities. This has a dramatic negative impact on their well-being, mental health and social lives. Arguably, lower income households have the option to move out of Vancouver; however, moving to suburbs and nearby cities is spreading the crisis out.

This is causing the rental prices to go up in the suburbs and neighbouring cities. Cities such as Surrey and Burnaby are now facing higher demand for rental units, which they cannot provide and are in shortage. (www.bc.ctvNews.ca, 2016) This shows the implications are wider than higher unaffordable rents for lower income households.

4.3 – Situation Analysis



There are several factors contributing to Vancouver’s housing crisis. For example, there is simply not enough supply, while demand is rising due to demographics. Housing affordability in Vancouver suffers from both demand and supply-side pressures. Demand growth is high while both geography and regulation restrict housing supply. Of what land developers could use, zoning limits where and how. A long and arduous permitting process slows the supply response to increases in demand. The other factors are:

- the desirability of B.C. and Metro Vancouver as locations;
- population growth;
- increased speculation;
- sustained low interest rates;
- outdated zoning and land-use policies; and above all
- foreign investment.

The Business Investment Stream of 1987 failed to closely monitor the economic activities and business results of the applicants. Once investment stream applicants arrived in Canada, their ‘businesses were not really the intended one. Only about 10% of the migrants in this stream reported self-employment income. This is while ALL migrants using business investment stream, were expected to show active business ownership and self-employed income as the result of their so called “Business Investment”.

According to Canadian Housing Statistics Program Report released in Dec 2017. Non-residents of Canada owned 4.8% of the residential properties in the Vancouver non-resident ownership was most concentrated in the City of Vancouver (7.6%), followed by Richmond area (7.5%) and West Vancouver (6.2%). The largest share of non-resident ownership was for condominium apartments, at 7.9% in the Vancouver. The City of Vancouver had the highest rate of non-resident ownership of condominium-apartments. Here the significant is that Vancouver will continue to grow up instead of out, with new multi-storey buildings instead of single-family homes; therefore, increase in non-residential ownership could potentially add fuel to the crisis.

Statistics Canada defines residency status and citizenship for individuals as shown in table 6:

	Resident of Canada	Non-resident of Canada
Canadian Citizen	An individual born in Canada who lives in Canada or A naturalized Canadian who lives in Canada	An individual born in Canada who still owns a property in Canada but whose principal dwelling is outside Canada
Non Canadian citizen	A permanent Canadian resident who lives in Canada	An individual not born in Canada who owns a property in Canada but lives in another country

Table 6 - Definitions of residency status and citizenship for individuals - Source StatCan, 2017

With view to the studies above, the first aspect of the crisis, i.e. the 'unoccupied units', as reported by Gil Kelley (2016) makes total sense. His report is affirmed through the studies conducted by other experts in the field, which was shared earlier in my literature review, and is supported by the facts shared from Statistics Canada. Evidence shows many of the properties purchased by foreigners are left empty to either maintain their building conditions intact for resale, or just for seasonal visits.

Following the published report by Kelley (2016), and studies by Gordon (2016) and Davidoff (2017), the BC government allocated \$500,000 over the next year (2017-18) for Statistics Canada to develop methods to track ownership of Canadian homes by foreign homebuyers.

With reference to my literature review, point A.3 (Policies implemented) , while New Zealand and Australia have created tough policies or even ban on foreign homebuyers to protect their own citizens (Australian Gov., 2018, <http://firb.gov.au> and New Zealand Gov, 2018, [http:// stats.govt.nz](http://stats.govt.nz)) , that toughness hasn't happened yet in Canada nationally. (www.theguardian.com, 2018) The effectiveness of Let us now briefly examine the effectiveness of the policies implemented in Canada and elsewhere.

4.4 – Policy Effectiveness

To answer if the imposed act had any impact, as Thomas Davidoff's table (No. 1 on page 15) shows: 'The Craigslist data are consistent with an increase in listings in response to the Empty Homes Tax. Over time, the share of listings in Vancouver has grown, and the premium rental units (units that required an upfront payment or a fee that is added to any lease that is less than the desired six, nine-, or twelve-months period) in Vancouver as opposed to anywhere else in Vancouver has diminished'.

But, in the 2nd and 3rd quarter of 2016 we can see a steady increase on percentage of rental listing from 48% to 49%; however, that 1% increase is in number of rental premiums – a down payment not affordable by low-income earners. In the 4th quarter; however, there was no change in rental premium percentage.

We could just see a 4% increase in rental listing on Craigslist. While this period is short, it still indicates that there is a concern for long-term trend. The premium stood still during the 1st quarter of 2017, we saw an additional 1% increase on listing from 53% to 54% but in the 2nd quarter, we could see a 1% decrease on listing rental and 5% decrease on premium. Perhaps this was due to change of status in ownership.

The above studies indicate that the imposed tax policies such as 'Empty Homes Tax' on unoccupied units to encourage owners to rent out, and 'Foreign Property Buyers' Tax ' on foreign investments to control prices and increase occupancies, had limited effect on the rental market and they could not properly solve the issue yet and the business immigration program aimed to encourage entrepreneurial economic practice could not fulfill its target, but had the unintended consequence of contributing the property price bubble.

However, a tougher measure similar to those in Australia and New Zealand may help the situation in Canada. Australian Foreign Investment Review Board (FIRB) reported that foreign investment in Australia fell by two-thirds during the 2017-18 financial year. (www.firb.gov.au, 2018)

Chinese investment, which has been particularly high in recent years in Australia, dropped by around 50%. Chinese investors were responsible for around 6.8 billion dollars worth of housing investment (both commercial and residential) during 2015. (www.firb.gov.au, 2018)

New Zealand Investment Assessment Bill (2017), which ban foreign ownership, seems working favorably too. Prices in New Zealand are beginning to fall. The latest benchmark QV house price index (2018) showed that nationwide residential property values fell 1.6% over the three months to August. (www.qv.co.nz, 2018).

5. RECOMMENDATIONS AND PROPOSALS:

In addition to all the above, in my view the biggest challenge in achieving affordable housing is political. Naturally, multiple levels of jurisdiction complicate the issue, and for any significant plan to work, a coordinated approach, involving every level of government - federal, provincial and municipal is required. The housing crisis is in such a shape that it even requires a set of 'strong public interventions' and 'community engagement'. Affordable housing was one of the major topics for candidates for municipality elections of 2018, and undoubtedly it will be an issue for the up coming federal election in October 2019.

Therefore, on the bases of my appraisal, hereby I propose:

1. Regardless of nationalities with no discrimination, if an investor is not a Canadian citizen or a permanent resident in Canada who genuinely plans to live and work in Vancouver, must not be permitted to purchase a residential property.
 - A) To purchase a residential property, one should produce either a valid Canadian Passport or a Permanent Residency (PR) ID Card.
 - B) Those with PR ID Card must provide proof of employment in Canada, receipt of their income tax submission, affidavit from their current landlord or residency manager proving that they are residing and living in Canada. These additional documents prove that purchasers are indeed residing permanently in Canada, and that they are actively contributing to Canada's economic landscape.

For those foreigners trying to purchase residential property for their short stay/ visits, the city of Vancouver has the best tourism facilities, hotels, and rental apartments for short stay. 'Vancouver winter Olympics 2010' demonstrated that the city is and can be a great host to a large number of visitors and can accommodate their short-term residential needs.

Some may argue that foreign investment on residential properties is good for the city's income and jobs. The facts and figures produced by Vancouver Tourism shows that not having foreign investment in residential properties will not affect the income of the city's revenue. (www.tourismvancouver.com, 2018) Vancouver Tourism contributes approximately \$4.8 billion to the Metro Vancouver economy annually and supports over 70,000 full time jobs. (www.tourismvancouver.com, 2018).

There are over 23,000 hotel rooms in Metro Vancouver, with over 12,000 in the downtown core. Vancouver receives over 230 cruise ship calls annually. Each cruise ship stimulates more than \$2 million in economic activity. More than half of BC's tourism-related businesses are located in the Vancouver Coast and Mountains region. (www.tourismvancouver.com, 2018).

More than 10 million people paid overnight visits to Vancouver in 2016, as the city's tourism industry enjoyed its third straight record-breaking year. According to statistics released by Tourism Vancouver, Vancouver attracted 10,045,068 out-of-towners last year compared to 9,368,521 in 2015 and 8,935,437 in 2014. (www.tourismvancouver.com, 2017).

2. Regardless of the size of investment (any figure), government should not grant citizenship and residency permit to foreigners based on residential land or residential property purchase. Government should make sure the foreign investment is done on the "actual" businesses and industries, in which money is circulated in the economy and not just parked on lands or unoccupied properties.

Even in Canada, Prince Edward Island, has long restricted 'foreign' real estate buying, subjecting prospective buyers to stringent tests to make sure that such purchases are consistent with local priorities. (Marr, 2016, <https://business.financialpost.com>)

3. Foreign investment in building residential properties may be permitted if:
 - A) It would be for areas that are demographically less privileged and for communities, towns or villages desperately in need of developments;
 - B) Such foreign investments should not include purchasing land. The investment can be put on the building structure, infrastructure, material and workforce only, in return for a fair profit;
 - C) Such investments should not qualify for residency permit or citizenship, and it should be driven by factors such as finance, economic developments and commerce rather than immigration.

4. Easy access to loans and low interest rates have encouraged the middle and upper class buyers to purchase much larger units and apartments than they actually need. This caused prices to rise. A higher interest rate and stricter process may address the pricing issue, hence affordability to rent in the long-run. Of course, in a free market economy, buyers' free choices cannot be limited but the policies at the macroeconomic level can certainly address such issues. Especially that purchasing residential properties are increasingly seen as investment rather than a place to live.
5. While still it is not sure exactly how the revenue from collected taxes (EHT & FPBT) are going to be used and what the exact figures are, perhaps such revenue is a good source to build affordable housing for rents. The revenue earned from those taxes can be allocated for building units for low-income earners to rent. There are plenty of government owned lands, where such developments can take place.
6. According to Kelly's report (2016), increasing supply alone, may not be the solution, hence, we need to maintain the rent ceiling in balance with the annual average salary increases. Currently the rate of annual salary increases and rent increases are not in proper balance. While often the average annual salary increase is at 2-5%, the permitted annual rent increase is at 8%. Whilst there are times that no salary increase is considered by firms, the rent increase as allowed by the local government are being charged by the landlords. Hence there is a constant improper balance between annual income increase and annual rental increase (Exhibit No. 5).

Additional Suggestion:

The following is an additional suggestion for 'reform' that goes beyond the housing sector and government may wish to consider it as part of its long-term reform policy. Orenda Inc. would be more than happy to assist the local, provincial and federal government to appraise it and make appropriate proposals upon request.

To maintain the well-being of the society, its people and economy, government should find ways to assure that the monthly rent of a unit does not cost more than 1/3 of one's monthly income. Government may facilitate this through:

- Changing the tax system: The current tax system taxes labor much more than it taxes property;
- Adjusting the minimum wage: Currently (April 2019) the minimum wage in BC is at \$11.35 per hour, while this is at \$14.00 in Ontario with lower cost of living (www.retailcouncil.org, 2019);
- Imposing some regulations, obligating employers to close the gap between their annual salary increase and annual cost of living increase as set force and indicated by the government (wages and salaries in Vancouver are lower in comparison to other major cities in Canada);
- Making it illegal for employers for not offering annual salary increase for more than two consecutive years;
- Lowering and or maintaining the annual rental increase as set forth by the government for two to three years till employers could also close the gap;
- Rental housing tax-returns to low-income earners living in rental units;
- Providing 'cheaper utilities', 'free wellness centers and programs', and more 'affordable food and entertainment' so that people could save money on those.
- Building affordable rental apartments, especially for low-income earners to meet that 1/3 of one's salary income.

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