

Vancouver real estate a buyers' market — for mainland China: study

Sam Cooper / The Province

NOVEMBER 2, 2015 08:23 AM



Vancouver city planner Andy Yan worked with MLA David Eby on land-title study.

Photograph By WAYNE LEIDENFROST WAYNE LEIDENFROST, PROVINCE PNG

The dominant influence of Chinese investors in Vancouver has finally been proven with comprehensive data.

In a recent six-month period about 70 per cent of all detached homes sold on Vancouver's west side were purchased by Mainland China buyers, an academic case study shows.

Even more stunning, the study shows that of all self-declared occupations among owners — on homes worth an average \$3.05 million — 36 per cent were housewives or students with little income.

And 18 per cent of the 172 homes purchased were not mortgaged by banks. That means roughly \$100 million in questionable cash was poured into Vancouver's west side from August 2014 to February 2015, much of it from China. Total value of all homes sold in the study period was \$525 million.

David Eby, the NDP MLA for Vancouver-Point Grey, told The Province he helped city planner and researcher Andy Yan undertake the B.C. land-title study because many of his Vancouver west side constituents have complained about hollowed-out neighbourhoods, absentee investors, property flipping, and suspicions of money laundering and unfair tax avoidance.

Eby said the study fills a data gap in Vancouver and "bears out the anecdotal feelings that people have about Mainland China buyers."

"We're still at the point where we won't even admit we have an issue, while other jurisdictions have studied this or taken action," Eby said. "It's my hope this data shows that this money has a profound influence."

Canada does not collect data on foreign ownership, and the citizenship of buyers in Yan's study is not clear. But Yan established that 66 per cent of all buyers had "non-anglicized" Mainland China names.

Ethnic Chinese comprised 73 per cent of all buyers. Five per cent of buyers were corporations, but the people behind the investment vehicles were not identified. Of 32 homes sold for more than \$4 million, 94 per cent of owners were ethnic Chinese and the rest were corporations.

The study also showed that five of eight homes owned by "students" were bought outright with cash at an average value of \$3.2 million.

Tax experts have raised concerns that offshore investors are exploiting tax code loopholes to evade GST and capital gains. Housewives and students with little or no declared income can live briefly in Vancouver and flip properties tax-free, reports say, while claiming a home is a primary residence. In some of these so-called "astronaut" family arrangements, the real homebuyer lives and works in China while flowing money through relatives into Vancouver in order to store wealth.

Also, recent academic studies have shown that about 30 per cent of households in some of Vancouver's wealthiest west side neighbourhoods, where Chinese migrant buyers are dominant, declare meagre incomes much below their annual housing

costs.

Eby said Yan's findings mean the provincial government must look at the tax implications of "astronaut" families and investment from China, and answer some tough questions.

"When you see all the homemakers and students on the titles buying \$3-million homes with mortgages, it really supports the idea that money from somewhere else is coming in," Eby said.

"The questions that come up for me are: China is an authoritarian state that has lots of issues with corruption. Is the money coming into Vancouver the kind we want to be encouraging? And are we doing everything we can to make sure we leverage this investment to benefit British Columbians as much as possible? Or is this just benefiting the super-car dealerships on Burrard Street?"

In an interview, Yan said he was surprised that housewife is the prime occupation of Vancouver west side home buyers, with 52 homemakers out of a total 228 individual buyers in the study. "Business person" was the next highest occupation, at 42.

Yan noted the majority of the homes were mortgaged through Canadian banks. This suggests the banks offer services to facilitate investment from high-net-worth investors who face strict rules against transferring more than \$50,000 per year from China. The study did not look at details of financing arrangements and how foreign exchange transfers were made.

Yan said his findings show major migration forces are at work, and real estate in Metro Vancouver is now a global commodity.

"I think the bigger question to be studied is what happens when the driver for your residential market is wealth, not wages? That is a major public policy issue."

Yan's findings add weight to a report this summer from Macdonald Realty Ltd. that said Mainland China cash accounted for 70 per cent of the company's sales of homes worth \$3 million or more in Vancouver's west side, east side, and downtown core.

A recent Royal LePage report said patterns of offshore investment seen across Vancouver are accelerating in Richmond, Burnaby and Surrey.

This year, facing calls from the city of Vancouver to limit property speculation, Premier Christy Clark's government said there's no data to support "the perception" that foreign speculators are driving Metro Vancouver's market out of reach for locals.

Clark relied on a report from the B.C. Real Estate Association that claimed foreign cash accounts for less than five per cent of Greater Vancouver home sales.

© 2021 Copyright Times Colonist