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Global China and the making of Vancouver’s residential property market

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This paper examines the role of international investment in the construction of a local housing market in Vancouver, Canada. The background political economy included the attempt by Canadian governments to reboot a troubled regional economy through an infusion of activity from the growth region of Asia Pacific. An important investment tool was a Business Immigration Programme (BIP), which welcomed capital and invited capitalists to transfer their entrepreneurial skills to Canada. The BIP was very popular in Greater China, attracting wealth migration to Vancouver from Hong Kong and Taiwan in the 1980s and 1990s, and from Mainland China since 2000. An intricate trans-Pacific real estate market developed, with off-plan sales and offshore marketing of Vancouver property in Asia Pacific, and sales to wealthy BIP migrants at or before their arrival in Canada. House prices have risen rapidly and the detached housing market is now unaffordable to most Vancouver residents. Despite public discontent about the likely role of investors in boosting prices, provincial and local governments, who value the revenues of high property prices and BIP fees, have shown little desire to intervene.

Keywords: house prices; Vancouver; Greater China; wealth migration; transnational real estate; affordability

Introduction

While conventional analyses have regarded residential property prices to be largely a product of local conditions, there is clear evidence of the internationalisation of real estate markets in gateway cities. Vancouver (Canada) is a prominent example, and has been regarded in the global media for the past 25 years as a prototype of real estate investment from East Asia (Claiborne, 1991; Dorfmann, 2015; Economist, 2014; Kolet & Quinn, 2013; Le Corre, 1994; Yu & Donville, 2011). This paper places such capital (and related migration) flows within a broader historical context, highlighting the active role of Canadian governments in soliciting trade, investment, and migration from Asia Pacific since the early 1980s. Household and corporate capital from Greater China (Hong Kong, Taiwan, and the People’s

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Republic of China Mainland) did not arrive unannounced, nor indeed uninvited. For the Canadian state, in search of financial and human capital to rejuvenate a stagnant economy, especially in the Pacific Coast province of British Columbia (BC), established a number of policies and instruments to facilitate trans-Pacific economic flows.

British settler societies, including Canada, Australia, and New Zealand, have always been territories where capital and labour have been imported with sometimes volatile results for local housing markets (Daly, 1982; Wynn, 1992). Britain, and then the United States, dominated investment in these states up to the 1970s. Thereafter, the rise of Japan and the Asian Tigers led to significant foreign direct investment in real estate, the resource sector, and manufacturing. Edgington (1996) examined the distinct sectoral and geographical patterning of Japanese real estate investment in Canada, notably in Vancouver and BC, before the bursting of its property bubble in the early 1990s. In a valuable longitudinal study, Hajdu (1994) identified the transition in central Sydney and Melbourne in commercial property investment, as UK and US property owners gave way to East Asian investment from Japan and the Tiger economies. But in the past decade another player has emerged. With growing liberalisation of its national economy, Chinese global investments have risen from less than US$1 trillion in 2004 to $6.4 trillion in 2015, and a projected $18 trillion in 2020 (Hanemann & Huotari, 2015). ‘Today’, they write: ‘We are on the verge of a massive growth in China’s cross-border capital flows, which will result in major shifts in the global financial landscape’ (Hanemann & Huotari, 2015, p. 9). These investments have been directed at a number of sectors, including real estate. The downturn in the Mainland real estate market in 2013–2015 encouraged development and insurance companies to diversify their property holdings in gateway cities like London, New York, Los Angeles, and Sydney; overseas purchases of commercial real estate exceeded $10 billion for the first time in 2014 (CBRE, 2015). These recent corporate forays are accompanied by, and in some cities have followed, the overseas housing market investments of individual households, many of them immigrants, in selected cities. Their activity will be the focus of this discussion.

The paper will first establish the broader political economy accompanying the development of Canada’s Asia Pacific outreach. It will then highlight tools employed by the state to benefit from the vibrant economic development of Asia Pacific, notably the Business Immigration Programme (BIP), entry streams intended to transplant Asian economic vitality to Canada through the recruitment of successful entrepreneurs and investors. Permanent residence and later citizenship would be the reward for the geographical relocation of their human and financial capital across the Pacific. Third, the paper analyses the placement of Vancouver in a trans-Pacific residential property market, which accompanied existing networks of information, migration, and capital. Fourth, we examine the concomitant inflation of residential property prices in Vancouver, the most popular destination of business migrants to Canada, particularly the wealthiest, with accompanying stresses including local unaffordability and serious mortgage debt. Finally, we
observe the impasse that has occurred in public policy with governments and their allies in the property sector in denial that the deregulated space of flows accompanying the globalisation they have so actively promoted could be a primary cause in the creation of a property asset bubble.

Vancouver plays an anomalous role in Canadian housing markets. While national analyses stress either post-2008 stability (Carter, 2012) or instability (Walks, 2014) in the Canadian market, Vancouver supports both arguments. Despite by far the highest house prices and acute unaffordability that recently led the UBS Global Real Estate Bubble Index to classify Vancouver as ‘significantly over-valued’ (UBS, 2015), the same week a report from the Canada Mortgage and Housing Corporation regarded the Vancouver market as stable with ‘weak evidence of problematic conditions’ (CMHC, 2015, p. 3). CMHC’s assessment derives from the long-standing and seemingly predictable role of global capital in shaping a high-priced market. A quantitative start has been made to analysing these effects of globalisation on Vancouver’s residential market (Ley & Tutchener, 2001; Moos & Skaburskis, 2010). This paper offers a more intensive interpretation of the creation of a global housing market over the past 30 years, highlighting the specific roles of policy-led wealth migration and the trans-Pacific real estate networks that developed with it. The paper also emphasises the state’s agency in facilitating globalisation, and thus its responsibility in the ensuing impacts.

The research is based on extended observation that has included database analysis, and interviews and conversations with representatives of the real estate sector, government, the media, and civil society, including immigrant households. The paper covers the period from 1986 to 2015, covering two waves of business immigrants and capital, principally from Hong Kong and Taiwan from 1986 to 1997, and from Mainland China after 2000. Sources will also include the grey literature of newsletters, media sources, and private and public sector reports.

Canada and a Pacific Rim political economy

While the 1970s in Canada represented the fullest expression of a Keynesian society with a well-developed welfare state (Lemon, 1993), the decade also prefigured the significant challenges that would lie ahead. Punishing recessions accompanying the OPEC oil shocks contributed to a deepening national debt, a steadily deteriorating unemployment rate, to exceed an average of 9% through the 1980s, and alarming declines in productivity and per capita GDP growth. The recession of the early 1980s was particularly savage, with the economy shrinking 3% in 1982. Cutbacks followed, including the abandonment of Canada’s social housing programme by senior government, never to be revived. Stagnation behind national borders made deregulation and the establishment of larger trading zones attractive, and led, albeit with significant disagreement, to the Free Trade Agreement with the USA in 1989 extended to include Mexico in 1994.
Economic conditions during the 1980s were even more severe in Canada’s Pacific Coast province of British Columbia. A housing bubble in Vancouver burst in 1980 with a devastating 40% deflation in home prices (Skaburskis, 1988). The resources-led provincial economy contracted 8% in 1982, while unemployment raced ahead into double digits for much of the decade (Barnes, Edgington, Denike, & McGee, 1992). Under these conditions, the right-wing provincial government inaugurated a dramatic series of market-oriented reforms; its neo-liberal menu included privatisation, deregulation, welfare state rollbacks, and anti-union measures. So precipitous were these policies that the Solidarity Coalition, a strong oppositional movement, emerged and British Columbia barely escaped a general strike (Resnick, 1987). An important part of the entrepreneurial agenda of BC government policies was the planning of a world’s fair, Expo 86, a familiar piece of place marketing to ‘bring the world’ to Vancouver in 1986.

In these critical economic circumstances, the extraordinary growth of the Asia Pacific region could not be overlooked. All three levels of Canadian government — municipal, provincial, and federal — undertook repeated trade missions to Japan, the four Asian Tiger nations, and, later China, through the 1980s and 1990s. The enhancement of trade, capital flows, and immigration shaped their agenda. In 1985, for example, after securing sister city status with Guangzhou in South China, the Mayor of Vancouver conducted a mission to Hong Kong, Singapore, and Kuala Lumpur with the primary place marketing objective, ‘To establish Vancouver’s commitment to fostering two-way trade and investment, as well as a full range of linkages and relationships with the Asian Pacific Rim’ (City of Vancouver, 1985, p. 2).

Part of the trip’s mandate was to publicise Expo 86, the six-month world’s fair in Vancouver. Following the fair, the Provincial Government sold off the 82-hectare site on the edge of downtown Vancouver as a single land holding, guaranteeing that only the largest global developers could enter the bidding competition. Trumping an offer from local entrepreneurs, the winning joint submission came from three of Hong Kong’s largest development companies, led by Li Ka-shing’s Cheung Kong Holdings (Olds, 2001). Li, nicknamed ‘Superman’ for his business achievements, held celebrity status as the richest man in Hong Kong. Powerful trans-Pacific property capital had made its landfall by invitation. Sometime later a Chinese-Canadian real estate insider explained to me how Li’s deal had brought smaller Hong Kong investors to Vancouver, for ‘where the big fish swim, the smaller fish follow’ (Ley 2010, p. 55).

The initial 1989 gathering of APEC, the Asia Pacific Economic Co-operation network, provided a loose institutional network for Canada’s Pacific Rim manoeuvres, while the urgent search for bilateral economic relations to rejuvenate the national economy was elevated to a new level by the five ‘Team Canada’ trade missions to Asia undertaken by the Chrétien government between 1994 and 2002. An important policy tool in the bilateral discussions was a liberalised immigration
regime. In the late 1960s, Canada had decisively moved away from the historic privilege granted to immigrants from Europe, and within a decade, a major reconfiguration of source regions towards Asia occurred. A sign of things to come was a spike in arrivals from Hong Kong through the new skilled worker stream following the serious pro-Mainland (and anti-British) riots and bombings in 1967. A middle-class exodus to Canada brought newcomers who would be well positioned as middlemen to welcome the much larger migration that would follow the confirmation of the Sino-British Joint Declaration on the future of Hong Kong in 1985. Hong Kong was then a small territory of 5.4 million, yet for a decade after Expo 86 it became the leading source of immigration to Canada. For this later and more substantial population movement, new means of immigrant entry were in place, providing a convenient exit strategy for the wealthiest members of the colony.

**Wealth migration: the business immigration programme**

Provision for business immigration to Canada existed as early as 1978, when a subcategory of the skilled worker stream allowed for applicants holding significant financial capital and possessing entrepreneurial experience. This entrepreneurial stream was finessed many times in the following years, but basically required establishing a business in Canada and employing at least one Canadian. More novel was the investor stream established in 1986 with an eye, according to sources at Citizenship and Immigration Canada (CIC), to recruiting wealthy residents of Hong Kong who were apprehensive about their assets with the colony’s return to Mainland China in 1997. Investors had to commit greater resources than entrepreneurs, initially in unpredictable venture capital projects, but later in guaranteed provincial funds, returnable but without interest after five years. The BIP was to be a primary vehicle for bringing High Net Worth Individuals (HNWIs) from Greater China to the Vancouver housing market.

Business immigration was in principle a masterstroke, transferring embodied capital to the receiving country, conveying not just financial capital but also its enterprising creator. Not surprisingly, the innovation diffused quickly and Tseng (2000) enumerated some 30 nations who had adopted business immigration policies by fin de siècle. That figure has grown substantially, notably since the Global Financial Crisis, as countries facing serious economic challenges, for example, in Southern Europe and the Baltic States, have sought to offer permanent residence to international entrepreneurs and investors in return for cash or investments, and often property (Sumption, 2012; Sumption & Hooper, 2014). Residential property is a major investment interest to HNWIs, and thus to the global property and wealth management companies that serve them. Knight Frank’s *Wealth Report* includes detailed profiles of the characteristics and investment preferences of the 190,000 global HNWIs with net assets of over $30 million (Knight Frank, 2013; Paris, 2013). In recent years, property has become the leading item in their investment
portfolio. Savills real estate consultancy has tracked the property spending of global HNWIs, and has estimated that they hold over $5 trillion in residential real estate investment globally (Savills, 2013). Their analysis noted both the disproportionate recent growth of this cohort in Asia, and also the Asian HNWI preference for property investment.

Canada has proven very successful in recruitment in the international marketplace for HNWIs and other business immigrants (Ley, 2010; Wong, 2003). From 1980 to 2001, almost 330,000 people landed in Canada through the various streams of the business programme, the largest response for any nation. Up to 2001, the entrepreneur stream was the more popular, but since then the programme has been dominated by wealthier investor arrivals who make a larger financial contribution, $400,000 per household from 1999, rising to $800,000 later. While entrepreneurs had more challenging hands-on requirements to start a business whose progress was monitored by immigration officials, investors in contrast played a much more passive role, required only to contribute funds to the government for a five-year loan period.

The profile of BIP arrivals in Canada has been consistently dominated by Greater China, especially for the investor stream, comprising 74% of all investor enlistees between 1986 and 2008 (Ware, Fortin, & Paradis, 2010). Hong Kong prevailed up to the late 1990s, while Mainland China has dominated the inflow since. Relevant to housing market impacts are the destinations selected by these wealthy arrivals, restricted largely to Toronto, Montreal, and Vancouver, the smallest of the cities but the most popular destination. Among the richer investor class, provincial data showed that BC (essentially Vancouver) led with 49% of all landings from 1986 to 2008 (Ware et al., 2010). But this data overlooks secondary migration, the relocation of BIP migrants from their stated provincial destination — where they will make their required financial investment — to a subsequent province where they will live. An early analysis suggested net gains for Toronto and Vancouver, and net losses elsewhere, with Vancouver’s share of business immigrants rising substantially (CIC, 2000). More recently, inter-metropolitan relocation after landing in Canada has risen further, contributing to a grand total of over 60,000 new arrivals in BC through the investor programme from 2002 to 2014 (Young, 2015a). To these arrivals a smaller group of lesser wealth who have landed through the entrepreneur stream of the BIP must be added.

**Out of China: capital and capitalists**

In the 1980s and 1990s, affluent Hong Kong and Taiwanese families in the geopolitical shadow of the Mainland looked to overseas business immigration programmes where they might attain ‘passport insurance’ should political directions in China become ominous (Salaff, Wong, & Greve, 2010). In addition, quality of life and educational opportunities for children in English-speaking countries provide
weighty attractions to emigrate (Waters, 2008). More recently, in the more liberalised migration regime of twenty-first-century China, wealthy Mainland families cite similar reasons for departure (Hurun Report, 2011, 2014). There is also an additional unmentioned anxiety, coinciding with the PRC government’s anti-corruption drive, as the state’s arm reaches even beyond national borders through its Fugitive Repatriation and Asset Recovery Office. In 2015, the Office published a top 100 most wanted list among its diaspora, asserting charges that included corruption and money laundering. Among this list, 26 individuals were believed to have taken refuge in Canada, including a successful property developer living in Vancouver under an assumed name. The PRC has petitioned Canada for his extradition.

Wealth management firms have identified the migration propensities of affluent Mainland families. The Hurun Report is a well-established source on Chinese HNWIs, defined as those with liquid assets of over 10 million RMB (US$1.6 million); by 2014, there were estimated to be over a million Mainland HNW households. A striking finding from a survey of 980 HNWIs was that 60% were considering emigration, or in the process of emigrating, with both the USA and Canada preferred by two of every five potential leavers (Hurun Report, 2011). Two subsequent surveys of HNWIs found 46% and 56% who responded positively to similar questions on emigration (Wang, 2013). A follow-up Hurun study examined migration preferences of 141 HNWIs emigrating or considering doing so (Hurun Report, 2014). Amongst a global range of options, the West Coast cities of Los Angeles, San Francisco, and Vancouver were each selected as first choice by 13%—14% of respondents, followed by New York and Toronto; Vancouver was more popular as a destination than New York and Sydney combined. Significantly, real estate was by far the most favoured form of overseas investment, with Vancouver ranked third globally as an investment location behind the much larger cities of Los Angeles and San Francisco. For a metropolitan area of 2.5 million, there are major implications for Vancouver from a continuing stream of millionaire migrants intent on residential property investment.

These emigration propclivities have been realised as increasing numbers of Chinese HNWIs have moved to the USA and Canada. The number of formerly undersubscribed EB-5 investor visas released by the USA rose from 1443 in 2008 to 10,692 in 2014, while the proportion allocated to Mainland Chinese citizens inflated from 25% in 2008 to 85% of the 2014 releases (IIUSA, 2014). Consistent with the trends identified by the Hurun Report, the rise of EB-5 investor immigration has been associated with the rapid escalation of residential purchases. Chinese households surpassed Canadians to become by far the leading foreign purchasers of US residential property both by value and by the number of transactions in 2014—2015, with Californian cities being the most popular locations (National Association of Realtors, 2015). Chinese homebuyers also paid the highest prices among national groups, US$831,800 per transaction, more than three times the average price of $255,600 paid by Americans. Despite these expensive outlays,
70% of transactions were cash-based, in contrast to 25% for domestic buyers, revealing significant wealth reserves (National Association of Realtors, 2015). The role of cash purchases of this magnitude is notable because the existing capital controls in China limit personal transfers overseas to US$50,000 a year. The depressed Mainland real estate market in 2013—2015 encouraged portfolio diversification overseas, and the US economic recovery provided an incentive; for some, the anti-corruption drive by the Beijing government begun in 2013 has added palpable urgency.

This movement to selected US cities is not unique. Anderlini’s (2015) sources indicate that Chinese purchasers ‘have become the biggest [foreign] buyers of housing in many major western cities, including New York, London, Sydney, Vancouver, Toronto and Auckland’. A recent Credit Suisse analysis in Australia revealed that residential real estate purchases from China rose from AU$2.5 billion in 2008—2009 to AU$8.7 billion in 2013—2014 (McMartin, 2015). While Chinese settlers to Australia spent the majority of residential property funds in 2008—2009, by 2013—2014 they were displaced by investors, defined as ‘temporary residents, foreign investors and developers’. In the most recent year, both groups together were purchasing 20% of the new-build market in Melbourne and 23% in Sydney.

Measured by the volume of business immigration, connections with Greater China have been stronger in Vancouver than in Sydney. Between 2005 and 2012, 81% of immigrants who landed directly in BC through the investor category were from Greater China, four-fifths from the Mainland. Many others relocated to BC after first landing in Quebec, taking the total from business investors alone to 60,000 between 2002 and 2014 (Young, 2015a). Interest seems unabated. When the Canadian government unexpectedly aborted the BIP in 2014, there was a backlog of 50,000 Chinese investor applications headed for Vancouver whose submissions were terminated (Marlow, 2014).

**East Asian capital and the Vancouver housing market**

We have only glimpses of the scale of capital that has accompanied this wealth migration to Canada over the past 30 years. Reviewing a number of studies, Mitchell (2004) estimated that several billion dollars a year were reaching Canada from Hong Kong in the busiest years from the late 1980s to the mid-1990s. Major flows were also arriving from Taiwan after the liberalisation of foreign exchange controls in 1987. A senior Vancouver banker confided to me that his bank received $100 million in just one month from a branch in Taiwan, coinciding with threatening offshore exercises by the Chinese navy in 1995. During the 1990s, the BC government published occasional annual data that included the size of verified liquid assets among business immigrants, 70% of them originating in Hong Kong or Taiwan (Ley, 2010). For the entrepreneur class, the average available funds for a household ranged in different years from $1.2 to $1.6 million; for the investor class,
the range was $2—2.5 million. Extrapolating this information to the 1988—1997 period, the decade of the Hong Kong exodus, would lead to a conservative total of $35—$40 billion in personal liquid funds available for all business immigrants to use after their arrival in Vancouver.

Comparable data are no longer published to permit a similar assessment of the post-2000 period, when the entrepreneur stream of the BIP shrank, and the investor stream became dominated by richer arrivals from Mainland China. However, government data of the addresses of business class landings in Vancouver between 2006 and 2011 showed a highly concentrated distribution in two dozen census tracts in the region’s wealthiest districts: the Westside neighbourhoods in the City of Vancouver, West Vancouver municipality, locations of the top state and independent schools, and a group of tracts in Richmond, a suburb adjacent to the City and the international airport. In contrast, the spatial pattern is more dispersed for business immigrants who landed earlier, in the 1980s and 1990s, supporting the view that Mainland arrivals through the BIP since 2000 have access to considerably greater capital.

The Hurun Report (2014) repeats a long-established fundamental for business immigrants from Greater China — their ingrained commitment to property ownership as the primary building block of both family life and an investment portfolio. Property was the most favoured overseas investment by 43% of HNWI respondents. Upon settlement in Canada, therefore, it was not surprising that business immigrants from Greater China showed a keen interest in property purchase. In the early days of BIP arrivals, a special tabulation of the 1996 Census showed that among ethnic Chinese immigrants landing in Vancouver in the previous decade, 85%—90% were already homeowners in 1996, a remarkable figure in Canada’s most expensive city, and far above the figure of 59% for the whole population (Ley, 2010; also Hiebert 2009a). Aside from their own experience with ownership and wealth acquisition in East Asia, they observed the example of earlier compatriots who had left Hong Kong after the 1960s riots and had made money in Vancouver property. Particularly notable was David Lam, a banker who landed in Vancouver in 1967, and quickly made a large fortune in real estate. He was a well-respected public figure, a Christian philanthropist, and sponsor of harmonious intergroup relations. In an act of immense symbolic significance, he was appointed as Lieutenant Governor of BC in 1988. Other early immigrants established real estate fortunes, and served as models to the large groups of post-1986 arrivals.

Chinese-Canadian real estate companies introduced two important innovations to the Vancouver industry, off-plan (pre-build) selling and offshore marketing. A significant property-selling network was established between Vancouver and principal cities in Asia Pacific, especially Hong Kong, Seoul, Singapore, and Taipei, and later Shanghai and Beijing. Early in the development of the offshore business it was estimated that 30 Vancouver condominium buildings had already sold out in East Asia without any marketing at all in Canada (Hamilton, 1988). Substantial
sales to investors, some of whom might later be immigrants, were achieved at weekend property fairs. One agent described her work in Hong Kong for a large Vancouver-based company (Ley, 2010, p. 133):

I sold a lot of property through exhibitions. We would hold exhibitions in five-star hotels with a large room costing $20,000 for a weekend. We would be selling condos, single-family lots. I would sell half a dozen properties myself an average weekend. They would be lining up. The exhibition area would take 200, and the hotel security would have to turn people away. I also sold in Taiwan but did not do as well there.

Offshore sales launches remain a very important market model in Vancouver, like other gateway cities including London, where in 2013, over 1800 new-build dwellings were sold in Hong Kong and Singapore, 10% of all London residential completions that year (CBRE, 2014). Now, however, online marketing and virtual tours of available properties have expanded the flexibility of trans-Pacific networks between buyers and sellers (cf. National Association of Realtors, 2015; Rogers, Lee, & Yan 2015).

Transnational sales are orchestrated by companies either within Vancouver’s ethnic enclave economy or by older companies that have shown some nimbleness in adding Cantonese- and Mandarin-speaking agents. The ethnic specificity of some companies was almost complete, as an interview made clear with an agent at Keystone Realty, established in 1987 to reach the post-1986 Greater China migration: ‘At its peak, Keystone had 125 agents. We always had 5–6 Caucasian agents’ (Ley, 2010, p. 140). The largest immigrant-serving agency is Royal Pacific Realty, a successful company most active in Vancouver’s high-end Westside neighbourhoods, while Macdonald Realty is an older company that has expanded its reach, operating in the same elite districts, the most expensive in Greater Vancouver.

Royal Pacific Realty was founded in 1995 with 30 real estate agents, and by 2015 employed 1200 staff in four Vancouver offices. Its President and co-founder, David Choi, began his business life selling Vancouver property in East Asia, marketing ‘entire subdivisions of multi-million dollar single-family homes in Hong Kong and Taiwan’ (Jordan, n.d.). The company sold almost $10 billion worth of residential property in 2014, a remarkable 18% of all sales by value in the Real Estate Board of Greater Vancouver (REBGV) region (Royal Pacific Realty, 2015). Confirming their emphasis at the top end of the market, the average sales price was $1.15 million, 40% above the REBGV average. Twenty-three of the firm’s top 25 selling agents in 2014 were Chinese-Canadians, led by Winnie Chung, who has sold more than 100 properties each year since 1990. Between 2009 and 2014, her sales total amounted to $660 million in Vancouver’s blue-chip neighbourhoods. As of June 2015, her website listed 60 available properties in these neighbourhoods with a total price tag of some $240 million (Chung, 2015). Her sales have been primarily within the ethnic Chinese market, including immigrants, residents, and investors. Her properties have been advertised in Vancouver’s Sing Tao, Ming Pao,
World Journal (Taiwan), and the China Journal, providing seamless coverage to buyers from Hong Kong, Taiwan, and the PRC.

In contrast, Macdonald Realty is long-established and has grown in the past 25 years from its Westside Vancouver origins to a large entity with almost 1000 agents in 19 BC offices and residential sales of over $6 billion in 2014 (Macdonald Realty, 2015). Its current President was born in Taiwan, and has spearheaded the expansion of the company; in its Westside Vancouver office, a third of the 190 staff is Chinese-Canadians. The firm has disclosed that 70% of all its 2014 sales above $3 million (detached, townhouse, and condominium) in the City of Vancouver were to buyers originating in Mainland China. The figure fell to 21% for prices from $1 to $3 million, and 11% for lower prices (Lee-Young, 2015). Macdonald Realty has opened a sales office in Shanghai and launched a Chinese website to reach its Mainland market. Its habitual top-selling realtor is Manyee Lui, in the top 1% of REBGV selling agents for 16 years. Her listings appear in Ming Pao and Sing Tao, the English-language Real Estate Weekly, and also Luxury Portfolio International, as befits the leader of the Westside carriage trade. Her website currently shows 228 listings, with 14 of them priced above $10 million; each of her three women sales associates is fluent in English, Cantonese, and Mandarin (Lui, 2015). In 2014, she sold dwellings with list prices amounting to almost $150 million.

These agents are among the most prominent of a large, successful industry selling primarily to the wealthy ethnic Chinese buyer. Others include Victor Kwan of RE/MAX who sold 60 Westside properties in 2014 for over $220 million; his advertising brochure announces, ‘We have buyers and investors who are looking for and ready to buy properties in your neighbourhood’. Meanwhile, another RE/MAX agent, Danny Deng, whose team also speak English, Mandarin, and Cantonese, claims to be the top RE/MAX seller in Westside neighbourhoods. Deng states that he has ‘lots of cash buyers waiting to purchase your property… strong international connections with wealthy buyers’ (Westside and Downtown edition, 2015).

Such advertising highlights the continuing role of East Asian investors in Vancouver’s most expensive districts. In 1971, there were only 30,000 ethnic Chinese living in Greater Vancouver. But now with a total of 400,000, including tens of thousands of business immigrants, there is also a good deal of upgrading from buyers already in residence. However, their source of funds frequently remains offshore, for business immigrants have achieved minimal economic success in Canada. Despite their high levels of human capital at landing, tax filer data show that their declared incomes have been lower than any other visa category, including refugees who commonly arrive in Canada traumatised and with broken families (Hiebert 2009b; Ley, 2003; 2010). Home purchases by BIP households as well as foreign investors derive from wealth secured elsewhere.

Any calibration of the extent of foreign capital in the Vancouver housing market—a perennially disputed issue—is muddied by the variable locations of capital and
buyers. It is offshore capital that continues to drive the top end of Vancouver’s mar-
ket even though buyers may be temporary or permanent residents of Canada (Young 2015b). Business immigrants are simply not generating enough local reve-
 nue to permit purchase. Even detecting the existence of foreign buyers is complex
because of transnational social networks stretched across the Pacific, allowing local
residents or property professionals to stand in as proxy buyers for distant investors.
There have been many cases in Vancouver’s high-priced neighbourhoods of home
purchases by students at a local university. These may be the children of later
migrant households or, if migration is not planned, the property becomes a short-
term investment that will be sold (or rented) once the child’s education is com-
pleted. In a transnational network spanning national borders, foreign capital, one
way or another, is usually routed through local buyers (Ley, 2010; Young, 2015b).

**House prices and local demand**

In January 2013, Bloomberg’s ‘Chart of the Day’ graphed Vancouver’s house price
inflation since 1991 against the growth of China’s GDP (Kolet & Quinn, 2013).
The synchronicity of the two trend lines was evident, and was even closer after
2002, as Mainland migration networks replaced Hong Kong in trans-Pacific flows
of information, capital, and people. A coincidence of trend lines, of course, does
not require causality without a corresponding contextual argument. The earlier sec-
tions of this paper have presented such an argument based largely upon wealth
migration facilitated by Canada’s welcoming policies on immigration and interna-
tional investment, and activated by real estate intermediaries with a trans-Pacific
orientation, especially at the top end of the housing market.

Unexplored so far, however, have been potential drivers in the local economy,
more conventional factors in house price analysis. Local incomes evidently do not
have the capacity to drive such a high-priced market. Over the period from 1977 to
2006, real median family incomes in the Vancouver metropolitan area reached a
peak of $61,800 in 1980 and had fallen to $54,900 by 2006; during this same period
average real house prices almost doubled. More recent data from the 2011 House-
hold Survey support the same conclusion. Despite enduring the highest house prices
in Canada, Vancouver residents, even those with post-secondary education, have
modest incomes. In a ranking of individual incomes in the 10 largest Canadian cit-
ies, Vancouver residents aged 25–55 with a bachelor’s degree scored 10th and last,
with incomes only 65% of those in top-ranked Toronto (Yan, 2015). Wage growth
has remained slow; between 2001 and 2014, average wages increased 36%, while
average home values rose 63% in the metropolitan area, and 211% in the City of
Vancouver (Vancity, 2015).

Another regional factor that might be related to house prices is domestic in-
migration from the rest of Canada. Figure 1 compares the relative importance of net
international and net domestic migration against a standardised measure of
Vancouver dwelling prices from 1977 to 2011. Net population in-migration from the rest of Canada peaked in 1980 and has fallen steadily since, with a net loss in some years. Overall, there is a negative correlation ($r = -0.56$), with prices rising even as net domestic migration declined. In contrast, prices have risen consistently with net immigration ($r = 0.76$), and until 2002 immigration closely paralleled the inflating house price line. In recent years, prices have outpaced immigration, coinciding with the convergence of cheap mortgage money and HNWI investment.

Certainly, the Vancouver market has proven a rewarding investment. The REBGV benchmark price for a typical detached property, which excludes the distortions of high values, had reached $1.2 million in Greater Vancouver by October 2015, a 10-year increment of 103%. For the City’s Westside neighbourhoods, the equivalent price was $2.8 million with a 10-year growth of 162%. But the more disturbing consequence of these statistics is the extreme unaffordability for local entrants to the market. The RBC Housing Affordability index computes the share of a typical household’s pre-tax income that would be consumed by servicing the costs of buying a typical family home. In the first quarter of 2015, the index continued its irrepressible upward march reaching the unlikely level of 86% of gross household income required for servicing an average Greater Vancouver bungalow (Housing trends and affordability, 2015). A second metric is provided by the annual affordability assessment of metropolitan markets by the Demographia consultancy, which compares median house prices with median household incomes. A score equal to or less than 3.0 defines an affordable market, while a score above 5.1 defines the worst category, severe unaffordability. As usual, in 2014, Vancouver was second only to Hong Kong in unaffordability, and its excessively high score of 10.6 was the most extreme since the survey had begun (Demographia, 2015).

There is no space here to detail the social and economic consequences of the acute lack of affordability in Vancouver housing. They include difficulty in retaining key employees, out-migration of young workers (Vancity, 2015), crowding and the downsizing of condominium units to microsuites, heavy debt loads (Walks,
long commutes (Angus Reid, 2015), the (necessary) rise of illegal suites in detached homes, and young adults remaining in the family home well into their 20s. Family reproduction is affected as the necessity of two wage earners in a family delays (or prohibits) child-raising. While parents may be involved in financing purchases for some adult children, especially for first-time condominium buyers, significant penalties endured by the young are self-evident (Moos, 2014).

As the issue of affordability was becoming finally politicised in the spring of 2015, a survey of over 800 residents in Greater Vancouver showed the extent of inter-generational inequality (Angus Reid, 2015). A large majority of respondents aged over 55 could be described as happy or comfortable with their housing conditions, while a large majority of those aged 18–34 were uncomfortable or miserable: most of these two unhappy groups agreed with the statement, ‘I’m seriously thinking of leaving Metro Vancouver because of the cost of owning a home here.’ Long-term homeowners in small households with a paid-off mortgage and no commute were the happiest. Those describing themselves as miserable included renters and mortgage-holding owners; most had at least one child and a sizable commute, yet were also the most educated. Their profile fits the new suburbs, and Walks (2013) has drawn attention to the high incidence of mortgage and overall household debt in these municipalities. Almost every neighbourhood in Greater Vancouver has an average household debt to disposable income level that is above the national average; in many parts of the new suburbs, debt loads are more than twice the national average, identifying a precarious status vulnerable to any economic ill wind.

Another credible report further aggravated emerging public concerns. The largest regional credit union published an alarming forecast on labour market–housing market relations. The report anticipated significant out-migration by qualified workers driven from Vancouver by their desire for affordable homeownership of a single-family home (Vancity, 2015). With current trends, in only five years and even assuming dual-income households, the median incomes of 82 of 88 in-demand positions, including police officers and general practitioners, would fall below the necessary house price threshold. The housing crisis would precipitate a labour crisis. This extraordinary mismatch between wage returns and unaffordable housing costs overturns any conventional model of a symbiotic relation between local incomes and local house prices.

**Spring 2015: no data, no policy, no worries**

At a Singapore conference in April 2015, Laurence Fink, Chairman and CEO of BlackRock, the world’s biggest asset manager, offered his advice on successful investment: ‘The two greatest stores of wealth internationally today is [sic] contemporary art… and two, the other store of wealth today is apartments in Manhattan, apartments in Vancouver, in London’ (Burgos & Ismail, 2015). This forthright investment recommendation placed Vancouver residential property at the forefront
of global asset classes. Fink’s judgement was cited by David Eby, an opposition Member in the BC Legislature, the following month in a question he posed to Rich Coleman, Deputy Premier and Minister Responsible for Housing. As Vancouver housing affordability had tumbled to its lowest level ever, and with its housing market serving as a global investor’s honey pot, Eby asked whether the minister would collect data measuring the relative extent of international (relative to domestic) speculative investment in Vancouver’s market.

Minister Coleman responded:

I will tell the member that it has virtually nothing to do with the ministry for housing at all... Government doesn’t have any policy around this... we do not discriminate against foreign ownership... the reason it [housing] is attractive internationally is because it’s pretty reasonable compared to other cities like London, Singapore, Tokyo... There’s no initiative at this time in government to go and interfere in the marketplace with regards to housing. (Hansard, 2015)

Three features in this meandering promise of non-response draw attention. First was the unsustainable claim that Vancouver house prices were ‘pretty reasonable’ compared to others — though the RBC, Demographia, Vancity, and Angus Reid reports all showed Vancouver’s affordability to be dire. Second was the Minister’s reticence to gather ownership data to identify the extent of foreign investment in the housing market (standard data elsewhere), an action requested by rising public pressure, but rejected as interference in the marketplace. In an earlier television interview, he had made a similar reply to a question on foreign ownership: ‘It’s not come up as an issue for us’ (CTV, 2015). Third and most important is the claim that the question of foreign ownership had nothing to do with government. Yet it most certainly did, for governments had for 30 years led trade and investment missions to Asia, and had used the tool of business immigration to draw in entrepreneurs and their capital.

Though the Minister Responsible for Housing had told the Legislative Assembly that no studies and no data were available on foreign residential investment, a few weeks later, Premier Clark, under fire from growing public dissent (Young, 2015b), drew upon a short report by the Ministry of Finance, using data and interpretation from the BC Real Estate Association. The flimsy analysis — quickly debunked by local critics — denied that foreign investment was a significant factor in the housing market, a process of denial dating back to the first round of sharp house price increases after 1988 (Gold, 2015; Mitchell, 2004). The Premier’s source of authoritative data, the vested interest of the BCREA, revealed a convergence of institutional objectives. For the province’s coffers, as well as property industry bottom lines, have both benefitted greatly from East Asian capital flows. Each investor household in the BIP selecting BC as a destination brings the province a share of their interest-free $800,000 loan. No wonder that CIC managers in Ottawa had informed me that the provincial governments were the principal lobbyists for the
BIP. Indeed, when the federal government had turned the screws on the BIP in the late 1990s over tax avoidance, the then social democratic government of BC had been one of its strongest advocates (Ley, 2013). In addition to the bounty from the BIP, property tax plus the property transfer tax (a residential sales tax) from spiralling housing prices contributed $3 billion (6.8%) to provincial revenues in 2013–2014 (Government of BC, 2014). Every $1 million residential sale is worth $18,000 in transfer tax to the provincial government. While acknowledging criticisms of the transfer tax, Premier Clark admitted her government’s dependence on it: ‘this year we brought in $928 million in revenue’ (CBC, 2015).

Conclusion

Structural defects in the BC economy exposed by a severe recession led three levels of government to develop networks with the growth region of Asia Pacific from the early 1980s. The objectives, to augment trade and investment, were aided by neoliberal tools that included open borders, deregulation, a place-boosting world’s fair, liberalised immigration policies, and a development-ready province pushing back the gains of labour and the welfare state. An innovation that gained significant take-up was the Business Immigration Programme, with Vancouver, the closest major city to East Asia and with a high quality of life, the most popular destination especially for the wealthiest investor newcomers. Although the BIP was open to affluent residents of all nations, in the past 35 years, 80%–85% of investor class immigrants originated in Greater China.

The state’s Asia Pacific outreach has proven successful in reaching its economic goals. In 2014, 37% of BC’s exports were Asia-bound. Piecing together various sources, and including secondary migration, I estimate wealth migration of 200,000 immigrants to Vancouver through the three streams of the BIP between 1980 and 2012, the equivalent of 8%–9% of the metropolitan population in 2011. Massive amounts of capital moved across the Pacific; the estimated liquid capital available to business immigrants arriving in Greater Vancouver between 1988 and 1997 alone was $35–$40 billion. Some of this was surrendered to the provincial government as a requisite interest-free loan. Newcomers moved quickly into homeowner-ship in Canada’s most expensive city and their housing impact was elevated by their preference for property as an early site for further investment and rental income.

While real incomes have atrophied for several decades, the Greater Vancouver benchmark price for detached properties is now $1.2 million, and is once again on a tear, having risen by 20% in the past 12 months. Both provincial and municipal government revenues have benefitted from property-based taxation, and are reluctant to harm the goose that lays the golden egg. Wealth generated in asset hotspots in a deregulated globalised economy can generate huge public revenues as well as private returns. The convergence, even without collusion, of private and public
sector property interests in BC creates immense momentum that precludes meaningful policy responses to inequities that include excessive housing unaffordability, precarious mortgage indebtedness, and disillusioned out-migration. The default housing policy position has become minimal response and the cultivation of ignorance concerning actual trends. In this neo-liberal policy environment, community costs assume the status of acceptable collateral damage.

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