

2017

Building a Better BC: Practical Steps Towards a
Comprehensive Housing Strategy for Vancouver



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About the Author

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Executive Summary

It would be an understatement to say that housing was the key issue British Columbians faced going into the polls in the 2017 election.¹ However, the politicization of housing will need to move beyond populist agendas and manifest itself into substantial policy. And with the embers of the closest election in BC history settling down, the new BC NDP government will be tasked with developing a clear housing strategy to make housing affordable not only to Vancouverites but to all British Columbians.

The purpose of this report is to provide the incoming government with a summary and data analysis on the current state of the housing market and help create new policies to bring affordability to Vancouver. The report will combine data from the public sector such as Stats Canada, the Canadian Mortgage and Housing Company, and BC Housing alongside private sector data from Air BnB and the Greater Vancouver Real Estate Board to help understand the state of Vancouver's housing market.

Initial findings suggest that there is a mismatch between the infusion of new housing stock into the market and historically low vacancy rates in the past decade. While new supply is intended to ease demand the report suggests that investors are inflating the market and pricing out renters and prospective owners. It is recommended that the BC Government work with the City of Vancouver to develop regulatory policies that limit the use of short term rentals, reduce the number of unoccupied houses, and cooperatively fund social and affordable housing units.

¹ Cooper, Sam. "BC Election 2017: Political parties make promises for affordable housing." Vancouver Sun. <http://vancouversun.com/news/local-news/the-province-housing-promises>

Vancouver Housing Market Background

Rising housing costs, an increase in homelessness,² and a population set to grow by 1 million people by 2040,³ make it paramount that long-term policies are in place to ensure housing to a generation of Vancouverites. It is argued that the affordability crisis not only in housing but the general cost of living from hydro bills to insurance was the pivotal ballot question going into the 2017 provincial election. To that end it is to no surprise that the lower mainly overwhelmingly voted against the sitting government and their housing policy.

Not only is housing politically important but socially as well, the increasing cost of housing in Vancouver has created challenges in ensuring affordability across the market raising question of land access and the right to live in and work in the same city. A generation of Vancouverites and new immigrants are left behind while wages remain stagnant as housing and the cost of living increase in a market that is heating up and showing no signs of cooling down. Since 1986, the average cost of a single detached home in Vancouver has increased 280% to \$1.4M as of May 2016, while incomes have only increased 7%. The City's' vacancy rate has dropped to 0.6% while 10,800 houses in the market remain unoccupied resulting in insufficient supply to meet demand. Vancouver does not seem to be alone in this crisis, in 2015 similar Canadian metropolitan cities such as Toronto (1.8%)⁴ and Montreal (3.9%)⁵ have had low

² Sawatzky, Karen. "Short-term Consequences: Investigating the Extent, Nature and Rental Housing Implications of Airbnb Listings in Vancouver." (Master's Thesis, Simon Fraser University, 2016): 1

³ Metro Vancouver. "Metro Vancouver 2040 shaping our future:" <http://www.metrovancouver.org/services/regional-planning/PlanningPublications/RGSAdoptedbyGVRDBoard.pdf>: 6

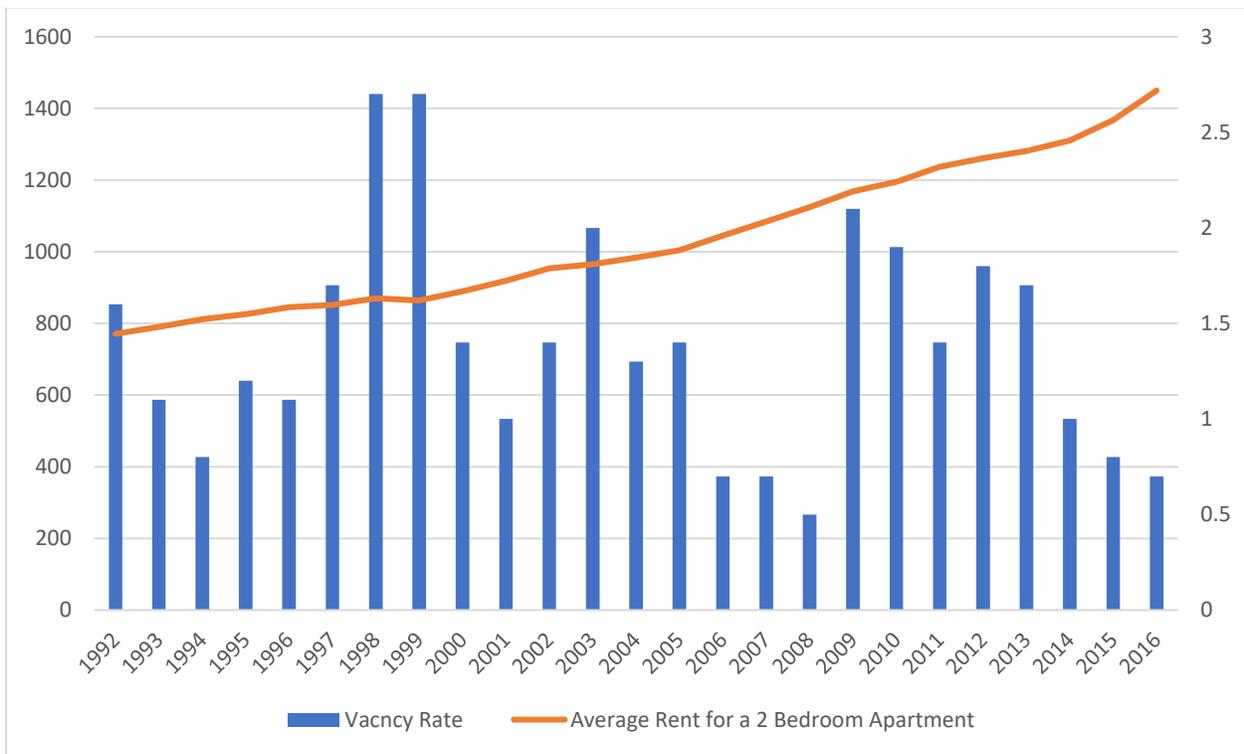
⁴ Canada Mortgage and Housing Corporation. "Rental Market Report: Greater Toronto Area" (2016): 5

⁵ Canada Mortgage and Housing Corporation. "Rental Market Report: Montreal" (2016): 1

vacancy rates and are experiencing problems in affordability and availability of rental stock. To put it into perspective a healthy vacancy rate should stay between 5-7%⁶.

The increase of housing costs coupled with low vacancy rates creates barriers for people entering different stages of the housing market. Since renting is typically someone’s first step in the housing market, new renters are being squeezed out of homeownership due to high costs of rent. As a result, the market is flooded with a large concentration of renters with few available rental units. While the obvious solution is to build more rental units, most new housing units are built for market value sale rather than dedicated rental stock.

Table 1, Cost of Two-Bed Room Apartments compared to Vacancy Rates



Author From: Statistics Canada

⁶ Thomas, Kathleen. "Administrative Report, To: Vancouver City Council. Vancouver: City of Vancouver, September 13 (2016): 2

In response to the crisis, Vancouver and other municipalities in the lower mainland adopted the Metro Vancouver 2040 plan. While the document outlines a set of goals for the region including sustainable economies, healthy transportation choices, and a response to climate change, nothing could be more pronounced than the commitment to creating compact urban environments by strategically developing new housing units within the regions limited land available while addressing affordability⁷. The Metro Vancouver 2040 plan can be summarized by the following goal:

“[To] assist municipalities in developing Housing Action Plans in accordance with Metro Vancouver’s Affordable Housing Strategy, by providing analysis on regional demographics, household characteristics and market conditions, and work with municipalities to review and refine municipal housing priorities, policies and future demand estimates in the context of this analysis.”⁸

Given the salience of this issue, it is to no surprise that there is a large body of literature on the topic. Publications and reports on the state of the market have cut across a wide range of ideological, economic, and social arguments put forward by special interest groups, professors, and politicians on all levels of government. Proposals cover a wide range from constructing dedicated affordable housing stock⁹ to reducing red tape when it comes to land development,¹⁰ while advocacy groups such as Generation Squeeze¹¹ and the Canadian Center for Policy Alternatives emphasize building more rental and social housing. To combat the crisis the City of Vancouver adopted the Housing and Homeless Strategy 2012-2021 with the overall goal to

⁷ Metro Vancouver. “Goal 1: Create a Compact Urban Area.” MetroVancouver.
<http://www.metrovancouver.org/metro2040/urban-area/Pages/default.aspx>

⁸ Metro Vancouver. “Metro Vancouver 2040 shaping our future: 46

⁹ Lee, Marc. Getting Serious About Affordable Housing: Towards a Plan for Metro Vancouver. Vancouver: Canadian Centre for Policy Alternatives, May 2016

¹⁰ Green, Kenneth, Filipowicz, Lafleur, and Herzog “The Impact of Land-Use Regulation on Housing Supply in Canada” Fraser Institute, July 2016

¹¹ Kershaw, Paul. “Code Red: Rethinking Canadian Housing Policy.” Gensqueeze.com.
http://www.gensqueeze.ca/code_red_rethinking_canadian_housing_policy

increase supply for affordable housing, encourage housing mix that contributes to the cities livability, and provide policy leadership.¹² While there are differences in policy approaches to the housing crisis, the literature points to several key variables that have caused the market to go out of control.

First, the deregulation of the real estate industry coupled with historically low interest rates¹³ created a circumstance where the price gap between ownership and rental made ownership a fleeting reality for Vancouverites. Second, the increase in renters and lack of new rental development means higher rental prices and lower vacancy rates. Third, to address growing demand there is a need to inject more housing stock in the market. Fourth, there is a strong need to address foreign ownership. Finally, potential rental stock is taken off the market because they are tied up between units that are either non-occupied or short-term residencies (Air BnB rentals for example). Air BnB's 4,700¹⁴ listings and 10,800¹⁵ non-occupied homes have a depressing effect on the availability of affordable or rental housing.¹⁶

Stakeholders

The Province and City need to strike a balance between the different stakeholders when forming policy. The resistance to the recent re-development process on Keefer Street

¹² City of Vancouver "Vancouver's Housing and Homelessness Strategy 2012-2021: A home for everyone." Vancouver. (2011): 6

¹³ Sawatzky, Karen: 48

¹⁴ Inside Air BnB

<http://insideairbnb.com/vancouver/index.html?neighbourhood=&filterEntireHomes=false&filterHighlyAvailable=false&filterRecentReviews=false&filterMultiListings=false>

¹⁵ Bourke, Matthew. "Administrative Report, To: Standing Committee on Policy and Strategic Priorities. Vancouver: City of Vancouver, June 16 (2016): 2

¹⁶ Sawatzky, Karen 48

demonstrates that redevelopment can only be successful when the community is involved.¹⁷

There have been recent steps taken by the City of Vancouver to address the housing crisis.

However, the discourse on housing policy has been polarizing among politicians, members of the real-estate market, and the general public. In addition, the hasty implementation of policies such as the foreign buyer's tax in the summer of 2016 caught the real-estate market off guard and created friction with the government.¹⁸

Given the current political discourse in Vancouver over the last the few years, through the media, local advocacy coalitions, and elected officials in all three levels of government, it is important to emphasize gathering feedback from the different stakeholders. This is because the housing market has multiple factors and policy making is a dynamic process. A strong stakeholder relations plan is necessary for policymakers to generate ongoing monitoring indicators such as the level of support for certain policies. Having these market indicators will further allow to develop relationships with as policymakers engage with the public as the market changes. In addition to citizen engagement, it is equally important to develop partnerships with the real-estate industry to gather more data on housing supply, demand, and cost.

Gathering preliminary data on what residents in the city think about the housing crisis will give policymakers a sense of what aspects of the housing market are publicly salient and will help orient them towards a set of policies based from the data. Policy creation is a two-pronged approach. First, good policy is driven by public engagement to generate policies that are publicly legitimate to minimize the chance of public backlash on elected officials. Second, there

¹⁷ Fumano, Dan. "Chinatown decision: Vancouver council rejects controversial 105 Keefer St. Proposal." Vancouver Sun. <http://vancouversun.com/news/local-news/chinatown-decision-vancouver-council-decides-on-controversial-condo-development>

¹⁸ Shaw, Rob "BC Liberals pass contentious foreign buyer tax into law." Vancouver Sun. <http://vancouversun.com/news/local-news/b-c-liberals-pass-contentious-foreign-buyer-tax-into-law>

needs to be data outlining the increase of housing costs, vacancy rates, and construction rates from the market and input from consumers.

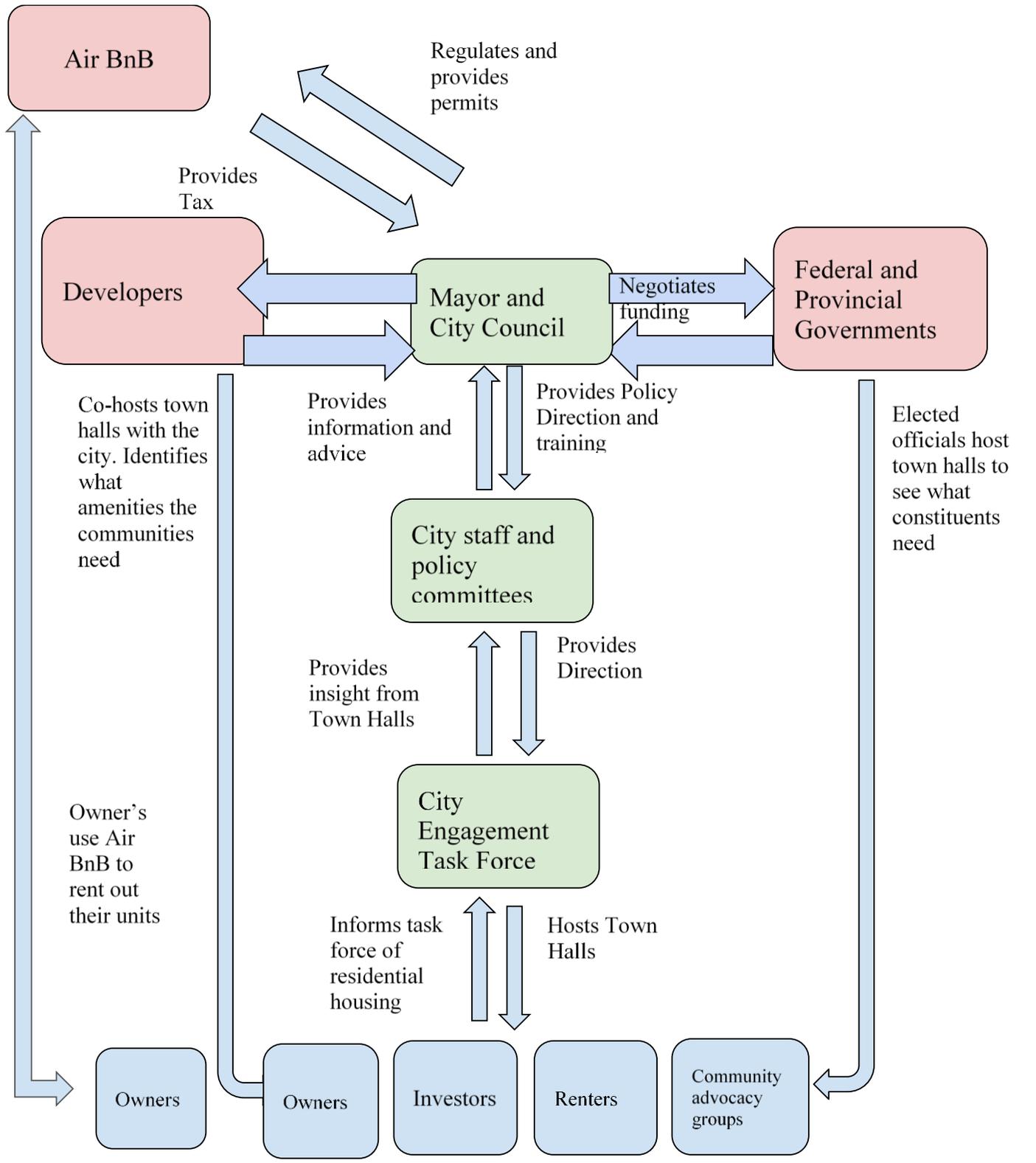
A recent survey from the city of Vancouver revealed there is a strong degree of public support for government intervention in the housing market and that most citizens either agree or strongly agree on a variety of issues related to housing affordability, from tax increases on houses resold in a short period to encouraging the construction of housing units that are most likely to be occupied.¹⁹ Recently the City of Vancouver conducted surveys among roughly 20,000 citizens gauging the level of support for taxation policies. There was overwhelming support for higher taxes that target empty homes with owners that have little economic ties to the province.²⁰ This includes homes empty for extended periods of time from (6-12 months).²¹

¹⁹ Bourke, Matthew: 42

²⁰ Ibid: 47

²¹ Ibid: 48

Figure 1 Map of Stakeholders in Vancouver's Housing Market



Market Conditions and Affordability Factors

The root of the housing crisis is not due to a single policy decision, but rather it is the culmination of several seemingly disconnected policies. First, the decision to allow for self-regulation within the real estate industry in BC could be one of the key factors that lead to the sharp increase in housing costs and “shadow flipping²²”. “Shadow flipping” is the practice where real estate agents immediately re-list the house back on the market after the initial sale allowing them to set the price above the original owners asking price.²³ As the crisis developed, it became apparent that some form of government action is necessary to address the housing crisis. While the Metro Vancouver Plan demonstrates the desire of local governments to intervene they lack the appropriate tools to regulate an industry that appeared to be self-maximizing.²⁴

The housing market in Vancouver is dominated by two sets of paradigms the forces of supply and demand, and the audiences participating the housing market. What the data show and this report will demonstrate is that while the infusion of new housing stock is important, the intended consumer base is forced to compete with externalities such as foreign ownership and investors. As a result, growing housing costs and low tenancy rates can be attributed to various factors that have led to the affordability crisis:

1. The net increase in housing costs means that a there is a lower number of renters making the transition from renting to ownership. The increase in renters and lack of new rental development means higher rental prices and lower vacancy rates.

²²Tomlinson, Kathy. “B.C. puts end to real estate self-regulation”. The Globe and Mail <http://www.theglobeandmail.com/real-estate/vancouver/bc-premier-christy-clark-says-change-coming-to-real-estate-industry/article30681945/>. June 29, 2016

²³ Tomlinson, Kathy. “The real estate technique fuelling Vancouver's housing market.” The Globe and Mail. <https://www.theglobeandmail.com/news/investigations/the-real-estate-technique-fuelling-vancouvers-housing-market/article28634868/>. Feb 6, 2016

²⁴ Evans, Peter. State Structures, Government-Business Relations, and Economic Transformation, 63-87, Sylvia Maxfield and Ben Ross Schneider, eds. *Business and the State in Developing Countries*. Ithaca: Cornell U. Press, HD 3616 D452 B87 1997: 66

2. The deregulation of the real estate industry coupled with historically low interest rates created a circumstance where the price gap between ownership and rental made ownership a fleeting reality for Vancouverites.²⁵
3. Vacancy rates are kept low because the mix of new houses being built is inadequate in addressing the need for rental and affordable housing.
4. Potential rental stock is taken off the market because they are tied up between units that are either non-occupied or short-term residencies (Air BnB rentals for example). Air BnB's 4,700²⁶ listings and 10,800²⁷ non-occupied homes have a depressing effect on the availability of affordable or rental housing²⁸.

Challenge I: The Cost of Housing Has Increased Dramatically in the Last Decade

First and foremost, the biggest problem in the housing market is the cost of homeownership and rent. The cost of homeownership in the Eastside of Vancouver has increased on average up to 277 times the value of a home in 2008 with single detached homes hitting a peak of \$1.5 Million in July of 2016. The cost of rent has also not gotten any cheaper, because of market pressures, rent has increased steadily since 1990 with the average rent in Vancouver being higher than BC and Canada.

²⁵ Sawatzky, Karen: 48

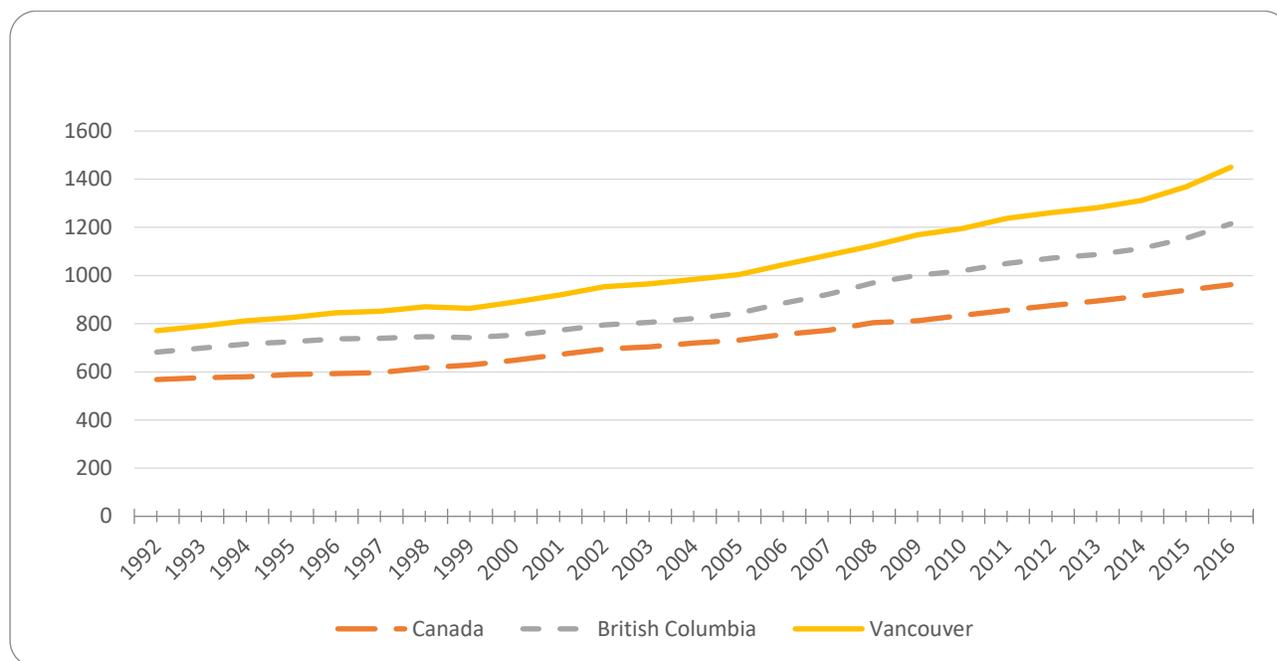
²⁶ Inside Air BnB

<http://insideairbnb.com/vancouver/index.html?neighbourhood=&filterEntireHomes=false&filterHighlyAvailable=false&filterRecentReviews=false&filterMultiListings=false>

²⁷ Bourke, Matthew: 2

²⁸ Sawatzky, Karen 48

Table 2: Average Rent for a 2 Bedroom Apartment in Vancouver compared to BC and Canada,



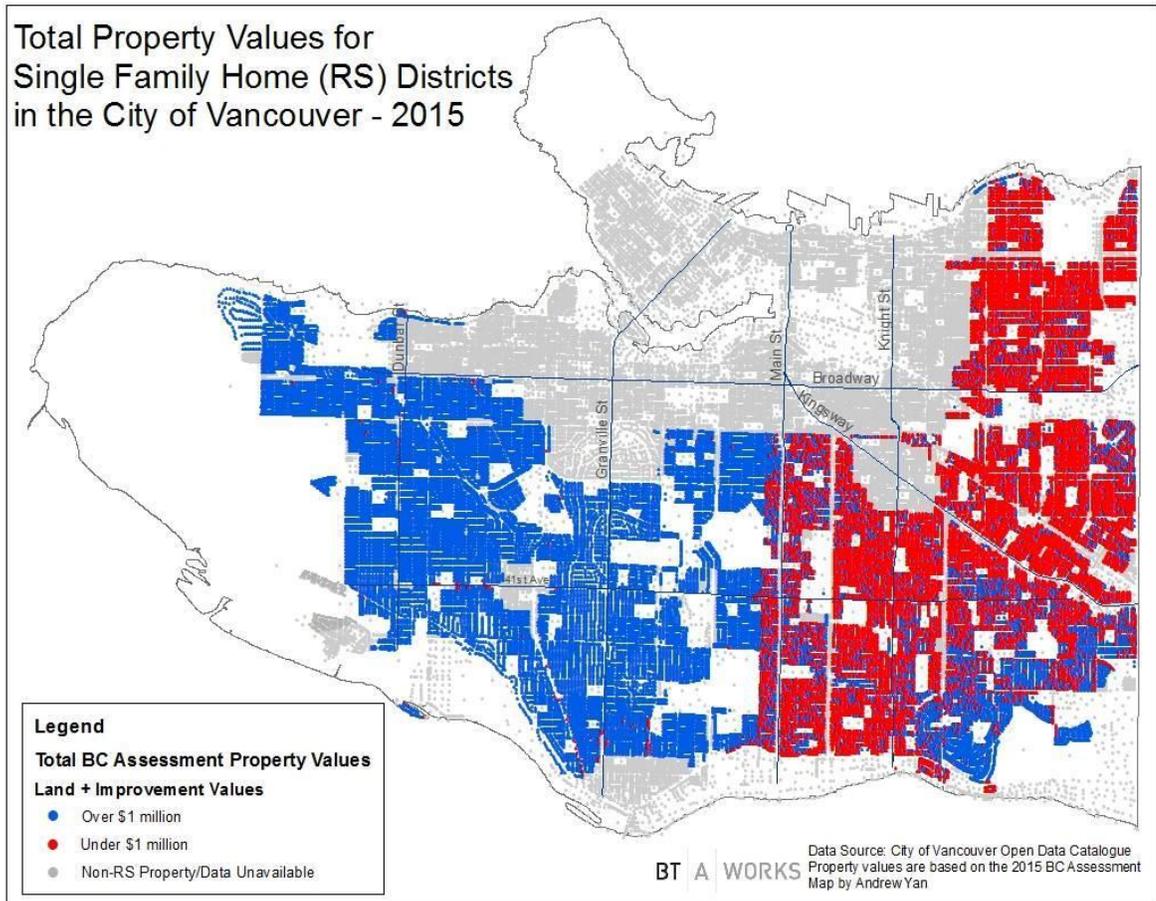
Author From: Statistics Canada

To provide statistical context the report will use real-estate data from the Eastside of Vancouver, mainly because it is considered to be less affluent and assumed to be more affordable than the Westside. Based on data mapping by Andy Yan, we see there is a clear divide in property value between the two sides of the city. However, despite this distinction houses on the Eastside continue to increase. The average cost of purchasing a home is \$1,027,300, three times the original cost in 2008. For residents looking to buy a detached home, they are further out of luck as costs rose up to \$1,513,800 as of May 2017.²⁹ It is possible that the cost of housing could exceed the value of the land itself because investors are leaving houses empty resulting in lower housing supply to meet the demand. We make this assertion due to the number of unoccupied houses in the market and the number of short term rentals on the market. Because the property itself becomes a commodity, emphasis is placed on the land value itself rather than the state of

²⁹ Greater Vancouver Real Estate Board. "Market Highlights/ May 2017". <http://www.rebgv.org/monthly-reports?month=May&year=2017>

the house, neighborhood, and proximity to local amenities all of which are traditional factors that can influence housing choice.

Figure 1 Assessment of Property Values in Vancouver over and under \$1Million



Source: City of Vancouver Open Data Catalogue, 2015 BC Assessment Map by Andrew Yan

Due to a lack of available rental units and an oversaturated consumer base it is by no surprise the cost of rent has also increased in the last decade. One of the biggest challenges for the new Provincial Government would be to find ways to construct additional purpose built rental units that can keep up with the rate of demand while keeping rent low. Bigger challenges also lie ahead in trying to develop ways to regulate the market to ensure that an adequate mix of affordable and rental housing is provided by the private sector.

Challenge II: Despite Increases in Housing Construction Affordability is Still an Issue

One way to alleviate the affordability pressure is to increase the amount of supply to offset demand. The increase of housing costs coupled with low vacancy rates creates barriers for people entering different stages of the housing market. High costs of homeownership mean renters are less likely to buy homes resulting in less rental stock. While the obvious solution is to build more rental units, most new housing units are built for sale rather than rental stock. With the City of Vancouver committing to building more housing units it would be reasonable to expect that vacancy rates would increase while the cost of ownership and rental decreasing. We would also observe greater housing mobility and ease of access to the market.

Given that there is appetite for increased government action in the housing market, there are several policy solutions that can be used to address the market. With a Federal Government that has committed to \$11B over 10 years³⁰ and potentially a new Provincial Government that has committed to building 114,000 rental units,³¹ the City has new opportunities to collaborate with all levels of government. However, the construction of housing units alone is not sufficient to dealing with the housing crisis. What remains puzzling is that although it appears that while new stock is being infused into the market, demand is still high and vacancy rates have stayed consistently under 2%.

³⁰ Zussman, Richard. "Federal budget allocations billions for transit and housing in BC." CBC.ca. <http://www.cbc.ca/news/canada/british-columbia/federal-budget-allocates-billions-for-transit-and-housing-in-b-c-1.4036910>

³¹ Petrescu, Sarah. "B.C. NDP Promises Actions on Housing." Times Colonist. <http://www.timescolonist.com/news/local/b-c-ndp-promises-action-on-housing-1.20577698>

Challenge III: Investors have put Homeowners and Renters at a Disadvantage

It is widely speculated that investors both foreign and domestic are one of the reasons why housing costs have gone up. Investors put homeowners and renters at a disadvantage because while they are all competing for the same housing supply investors have access to more resources (financial and understanding of the market) than the average homeowner or renter. This means that investors are more competitive because they can artificially drive up the price by competing against each other, excluding homeowners and renters.

Not only are investors inflating housing costs, they may potentially skew the perception of supply and demand in the market. Because there is one pool of people in the market, investors are able to restrict supply by purchasing multiple housing units. This has further implications in the market because:

1. Investors will often buy multiple units and keep them empty giving the impression that there is healthy market activity;³²
2. Non-Occupied units reduce the amount of stock driving up housing costs. Because there are perceptions that the market is healthy because there is a lot of activity may potentially lure policymakers and developers to believe that continuous construction of housing units will solve supply.

Challenge IV: Potential Housing Stock Appears is Absorbed by Short Term Residencies and Non-occupancy

³² Marr, Garry. "Spectre of empty houses haunt Canada's two most expensive housing markets." Financial Post. <http://business.financialpost.com/business/spectre-of-empty-houses-haunt-canadas-two-most-expensive-housing-markets/wcm/457bcc81-b538-43de-9f4d-4dbec9ca03f8>

One of the biggest affordability concerns in Vancouver's housing market is the presence of short term residencies and empty homes having negative implications in the number of rental units and housing costs. Both short term rentals and Non-occupied houses cause considerable stress on the supply side of the housing market. The presence of Air BnB in Vancouver's housing market and empty houses have caused shocks to people and places when it comes to affordability. Similar to how investors may skew the demand, short term residencies and non-occupied houses create shocks create stocks in the market by reducing the number of units in the market resulting in rapid increases in housing costs and rent.³³ The corresponding increase in the cost of living creates barriers for new homeowners trying to enter the market. Because supply is so low, it encourages continued development where the cost to own or rent is kept high because demand keeps increasing. The result is a cycle of continued development, and increase in costs, while demand stays high and supply remains low.

Challenge V: Lack of Policy Cohesion Among all Levels of Government

One of the biggest problems in the last decade was a lack of coordinated policy solutions between all 3 levels of government. Over the last few years, there have been ideological differences in the diagnosis of the housing market and policy solutions. While the City of Vancouver has been interested in building new rental stock and affordable units,³⁴ the Provincial Government has been focused on homeownership rather than alleviating rental costs.³⁵ Furthermore, despite the city's efforts to build a framework for negotiating leases for co-ops

³³ Sawatzky, Karen 48

³⁴ De Hoop, Jim. "Policy Report, to: Standing Committee on City Finance and Services" Vancouver: City of Vancouver, May 15 (2012)1-2

³⁵ Government of British Columbia. "Homeowner Grant" <http://www2.gov.bc.ca/gov/content/taxes/property-taxes/annual-property-tax/reduce/home-owner-grant>

there has been lack on the side of senior levels of government to provide funding. Despite support from municipal governments data from stats can shows us that funding and construction has been minimal in the last decade. This means that money is being spent on several different policies rather than one unified strategy on housing affordability. The City of Vancouver currently owns and has offered land to be zoned as affordable government housing but cannot finance the project without the help of the senior levels of government.

Factors That Influence Supply and Demand

Before developing policies to alleviate the housing crisis it is important to understand the different market variables and policies that creating the housing crisis to begin with. This will avoid any hasty policies that are designed to appeal to the public rather than address the housing crisis. For instance, while there is a degree of foreign ownership that has dominated the market the BC government may have hastily enacted the 15% foreign buyer's tax as part of the property transfer tax without properly consulting stakeholders or any market research. Being able to take a step back will allow policymakers to have a holistic perspective of the housing crisis.

Table 1: Factors contributing to Vancouver's current real estate climate

Policies	Inputs	Output	Outcome
-Housing de-regulation	-Lack of government oversight	-Allows for practices like shadow flipping	-Incr. and inflation of existing housing cost
-Wrong housing mix	-Housing construction	-Incr. in housing units that may be more likely to be unoccupied	-Decrease in potential housing stock
-Adjustments to strata property act	-Allow strata to set rules of rental	-Some strata councils ban rental in condominium units	-Take potential stock off market, opens door for Air BnB rental

-Lack of action on non-occupancy	-Real estate industry regulation	-Increases foreign ownership and speculation	-Inflates housing costs
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Table 1 provides background on the different policies and factors that we suspect may have led to the Vancouver housing crisis. The table includes a list of policies and market factors that have contributed to the market. We include both of these together because government policies have led to current market conditions that have attributed to the affordability crisis in the market. Going back to the beginning of the housing crisis the decision to deregulate the market a decade ago has allowed for practices like shadow flipping and market speculation.³⁶ The table also takes into account specific policies such as changes in the strata property act which gave strata councils the ability to restrict rentals in condominium units³⁷ or the lack of action on non-occupancy.

Table 2: Housing Market Variables

Variable	Input	Output	Outcome
Vacancy Rates	-Build more purpose built rental units to alleviate demand	-Construction of market and rental housing	-Incr. in the number of affordable rental units and decrease cost and demand and supply are harmonized
Affordability	-Build more purpose built rental units to alleviate demand	-Construction of housing for low and mid income level residents	-Stock reflects the demand
Absorption Rate	-Create affordable housing units	-Houses are taken off of the market upon completion	-Allows for demand and supply to be harmonized

³⁶Tomlinson, Kathy. "B.C. puts end to real estate self-regulation" (June 29, 2016). Retried from <http://www.theglobeandmail.com/real-estate/vancouver/bc-premier-christy-clark-says-change-coming-to-real-estate-industry/article30681945/>

³⁷ CitySpaces Consulting and Urban Futures inc. "Vancouver Condominium Rental Study". Vancouver: 2009: 7

Construction Rates	-Information of housing construction by type	-Increase of new housing starts to keep pace with demand	-Ensure that market is able to keep up with demand
Housing Cost Index	-Information of housing cost	-Understanding of how housing prices have increased over time	-Build purpose built affordable units
Foreign Owners	-Offshore investments into Vancouver's housing market	-Understanding the extent of foreign ownership and its share of the market	-Proper taxation and forecasting of foreign ownership and empty houses

A number of market variables that allow us to monitor demand are examined in table 2. Most of the variables used to track supply and demand rely mostly on transaction information and data. Since the challenges in the market suggest that the rate of construction doesn't necessarily mean affordability, it is important to identify other data sets that take affordability into account. Looking at the rate of purpose built houses, rental units, and increase in housing cost will ground policymakers by giving them an overall trend of the market. This will allow for more information when zoning developments and furthers the argument that new developments should have a sizable portion of affordable units.³⁸ The only measure that targets demand for a specific consumer is the foreign buyer's tax. Because there is substantive discussion on the issue the report intends to highlight that while foreign ownership has affected the market a foreign buyer's tax alone is not enough to solve the crisis.

Table 3: Proposed Policies

Policy	Input	Output (what variable does this address)	Outcome (how does this policy redress factors)
PPT/Empty homes tax	-Tax on empty homes,	-Should add homes into the rental and ownership	-Address housing de-regulation and lack of action

³⁸ Ferreras, Morton, and Little. "Affordable rental project could turn housing into Vancouver's 'Hunger Games': activist." Global News. <http://globalnews.ca/news/3618250/vancouver-affordable-housing-cambie-oakridge/>

	regardless of origin of owner	market by discouraging speculation	on non-occupancy and speculation
Air BnB regulation	-Tax and regulate Air BnB rentals	-Addresses vacancy rates an incr. affordability by adding 10K new housing units into market	-Addresses some potential loopholes in strata property act, non-occupancy
Build more purpose build houses	-Build houses designated for rental and at market	-New housing stock (especially rental) will reduce cost and increase affordability	-Ensures that housing mix reflects demand and need
Mixed neighborhood zoning	-Zone neighborhoods with mixed housing units	-Allows housing to keep up with demand, allows for greater dispersion of rental units	-Addresses wrong housing mix, allows for mixed neighborhoods

And finally, table 3 provides policy suggestions that take into account both the factors that led to the crisis and variables that allow us to understand the market. Each of the policies is specifically designed to address the different market variables, factors, and challenges mentioned in this report. The chart highlights low hanging policy decisions that will be elaborated in the subsequent sections. One of the first problems to address is non-occupancy. The foreign buyer's tax should be expanded to target domestic investors who leave units empty. Furthermore, a policy that regulates short term rentals should be adopted to add additional housing units to the market. And the simplest solution would be to create more purpose built rental units, affordable housing, and social housing.

Research Method & Limitations

The report will rely on several different datasets and analysis to explain the link between the different factors outline and housing affordability. If the City's ultimate goal is to implement a citywide strategy to address affordability in the housing market it is import to systematically look at each variable separately. By looking at them individually we can diagnose the problem and find policy solutions. There is no single policy solution but rather a series of solutions that fit together to solve the crisis.

In order to have a holistic understanding of the City's housing market it is important to observe the phenomenon over a long period of time. This allows us to contextualize the crisis within a series of policy failures over time. Researchers can look at policies that have been enacted over the past decade and see whether they have had any long-term effects on the market. For instance, housing prices can be observed in the decade since market deregulation. Having long term data also helps remedy the short-term data that is often collected by both government and private organizations. While we may only have data on rental availability on specific years, the information gives us a sample of market trends that we can connect to the bigger picture of the housing market.

The longitudinal analysis will make the most of annual data collected by several sources. Stats Canada has data on the rate of construction of housing units, housing supply, vacancy rates, rental supply, and median household income between 1990-2015. The CMHC also produces regular reports on a variety of different topics from rental stock, housing costs, vacancy rates, and regional reports. To supplement this data we can also rely on non-governmental organizations that have collected real-estate data. The Real-Estate Board of Greater Vancouver

generates monthly market reports including the number of transaction and the average days homes have spent on the market for single detached homes, apartments, and condominiums.

Data gathered through government documents will also provide additional longitudinal data for the study. For example, the BC Government's decisions to deregulate the housing market and the foreign buyer's tax will be evaluated to see their overall effect on the market. By analyzing reports such as government budgets, tax revenues, and reports that occur on an annual or regular basis we can analyze trends and government priorities over time.

In addition to longitudinal data, the analysis for this report will rely on data sets that either occur at a specific time or location. These data sets will give us a snapshot perspective of the housing market and can be used as benchmarks for future reports. In this report we will be looking at data from Air BnB. The rationale being that the data sets give us a spatial context that compliments the longitudinal data. For example, while we can see the long-term trend for variables such as vacancy rates or levels of non-occupancy, the data may not take into account the different spatial consideration. Looking at Air BnB data allows us to observe spatial concentrations of short-term occupancies, what type of units are being rented out, and how many days of the year they are rented.

Limitations of Study

Because of the salience of the housing market in the current policy discourse there has been no shortage of data on housing. Thanks to publications from government organizations such as the CMHC, BC Housing, and Stats Canada there is no shortage of information on the housing market. While new innovations in data mining have made data on Air BnB listings more accessible. Other advocacy groups such as the Center for Policy Alternatives and the Fraser

Institute have released publications as well demonstrating the housing is a policy issue that cuts across ideology as well as the private and public sector.

It was easy to access the data necessary for the report. The only difficulties were in the creation of data sets through extracting data from multiple publications since there was no time series data readily available. Other difficulties included reconciling potentially different ways to measuring data (particularly between the private and public sector) that made some comparisons difficult. Finally, the last difficulty was not the availability of the data but rather the date the data was released. This pertains to the 2016 census where housing data sets are not available until November 2017.

One of the biggest limitations of the research has been the availability and consistency of the data. One of the reasons being has been the lack of available data since the census was discontinued by the Conservatives in 2011. While the Census was replaced with the National Housing Survey (NHS) the data is not as detailed as the Census. Although the Census has been revived by current government there is some lag time between data collection in 2016 and the publication of the data. However, once the data is publicly available this fall the new data will fit within the current research methodology.

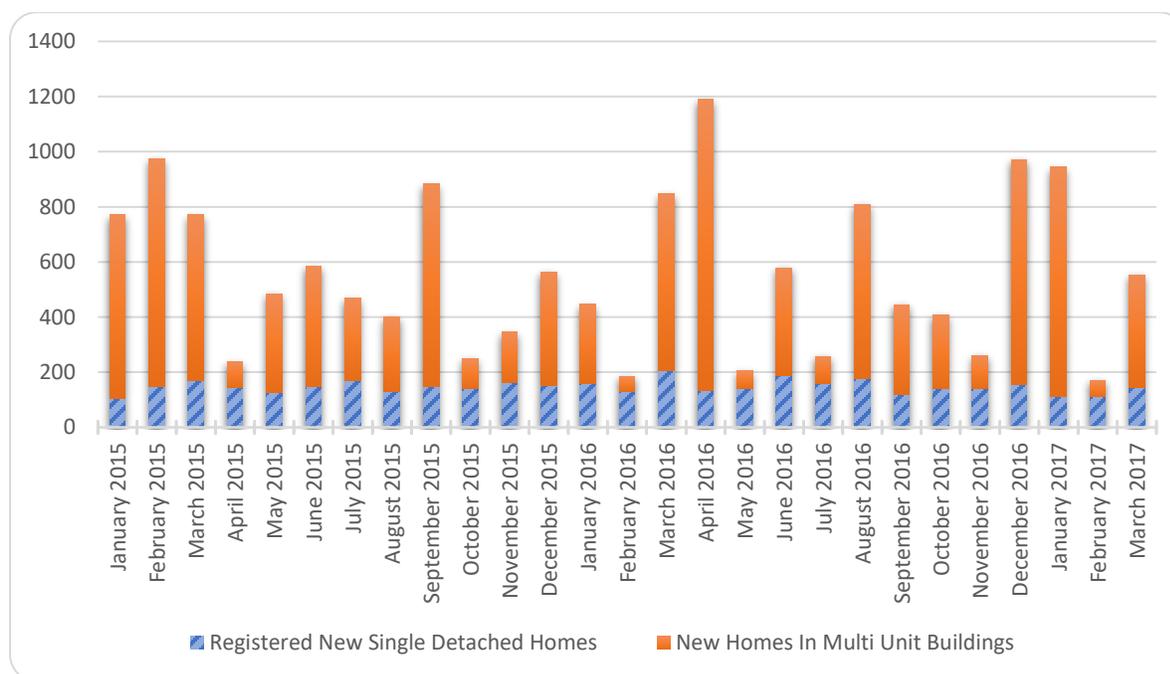
The methods used in the report will help provide a benchmark for new policies, strengthen current policies, and give metrics to help us evaluate current policies. In addition, data from public surveys and forums held by the city can give researchers and policymakers an idea of what policies different stakeholders support. Given that the City is halfway through its Housing and Homeless Strategy, this report will help set the state for policies that can either make the strategy an overwhelming success or a failure with long term negative implications.

Findings

Finding I: Housing Mix has not Adequately Kept up with the Different Sources of Demand

The overall trend in the housing market has been focused on the creation of new housing stock to offset rapidly increasing demand and take pressure away from the vacancy rate. Going through the lower mainland it is easy to see why there has been a heavy emphasis on building more multi-unit buildings and condominiums. Because of the limited land constraints given the geographical location of the lower mainland, it would be easier to provide access to public services such as public transit by densifying upwards rather than expanding outwards into the Fraser Valley. In Vancouver, single detached homes on average only account for 35% of new housing stock while the average in Metro-Vancouver is at 29%. Further construction of multi-unit homes should also mean that new units should alleviate stress on the city's vacancy rates.

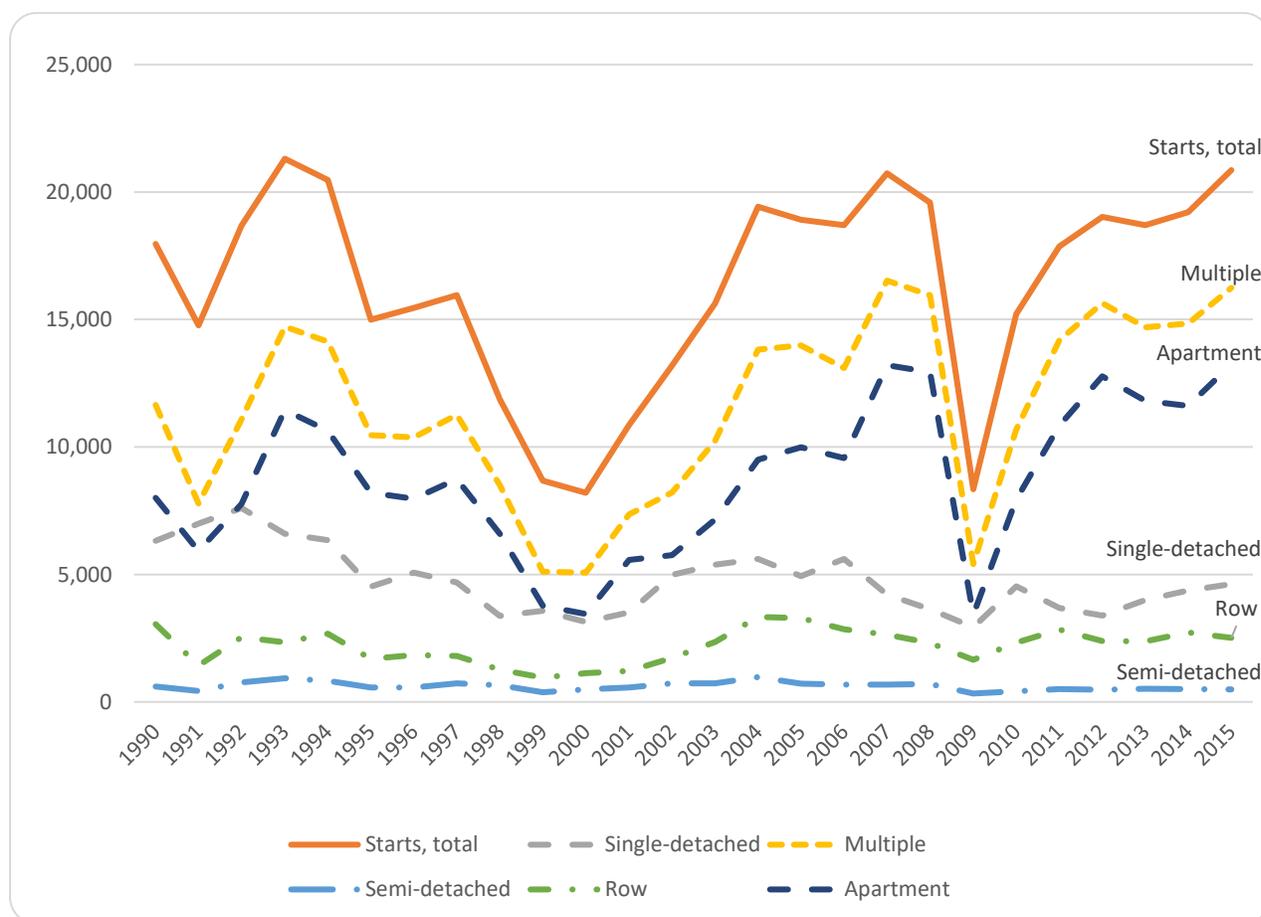
Table 3: Housing Composition and Stock in Metro Vancouver



Author From: BC Housing

Although the construction of more housing stock to reduce demand it is essential to solving the affordability crisis, it is also important that the right composition of housing stock is constructed. While it makes sense to construct additional housing it is equally important to take into consideration the intended market the unit is for whether or not it's for rent or ownership. Not only is it important to look at the composition of the market but how the market interacts with available housing stock.

Table 4: Housing Starts

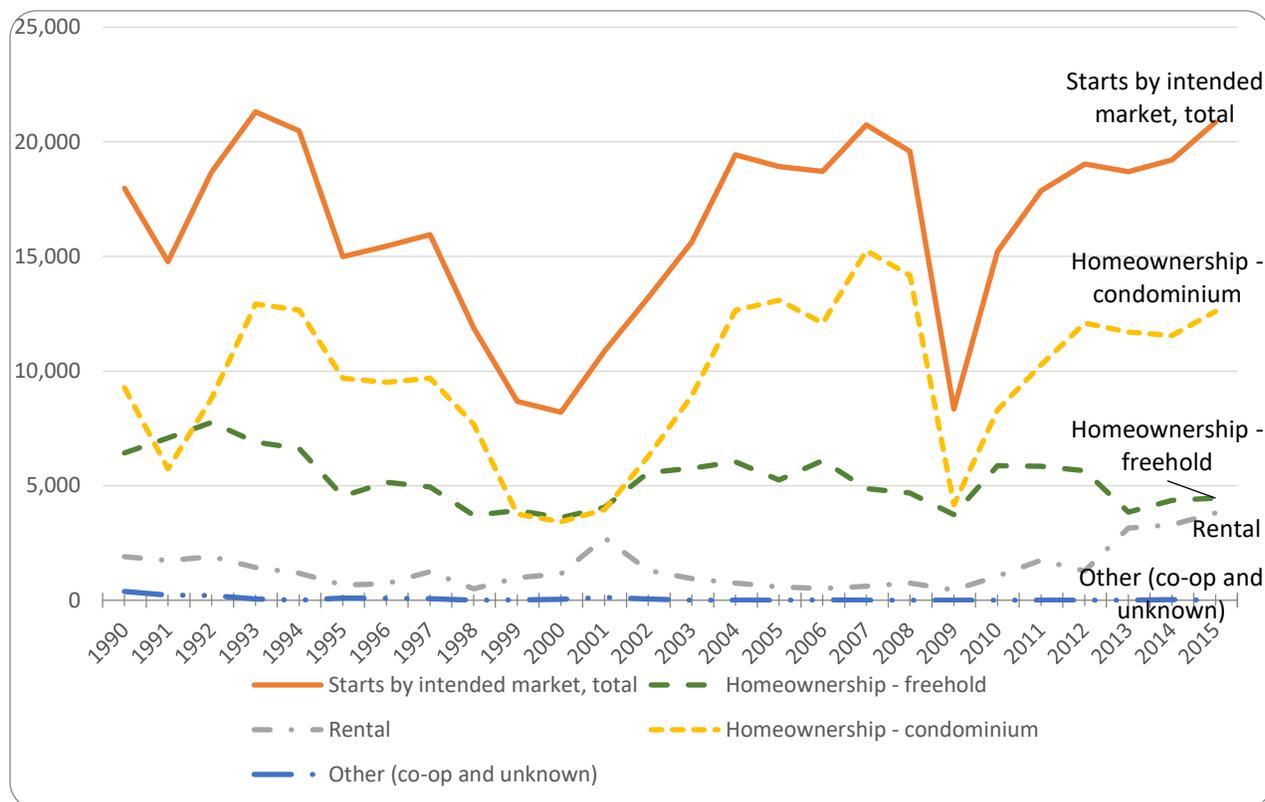


Author From: Statistics Canada

As a proxy for market composition we can look at evaluating housing starts. Housing starts are units that are approved and have begun the process of completion. This provides another metric in which we can measure supply and the demand for specific units. The table in

the top represents pure housing starts, where the units are not built for a specific market so they could either be rental or bought outright. The table below represents housing starts for an intended market. While multi-unit buildings and apartments are built there is not a lot of dedicated rental stock. It is also important to note the condominiums are a type of homeownership that is typically managed by a strata and the strata properties act. The act has implications on the rental market because it allows strata councils to set to rules around rentals.³⁹ This means strata run buildings could prohibit the use of condominium properties as rentals. Another implication, is that the restriction on rentals in condominiums creates an opportunity for investors to use these units as Air BnB rentals

Table 5: Housing Starts by Intended Market, Source: Statistics Canada

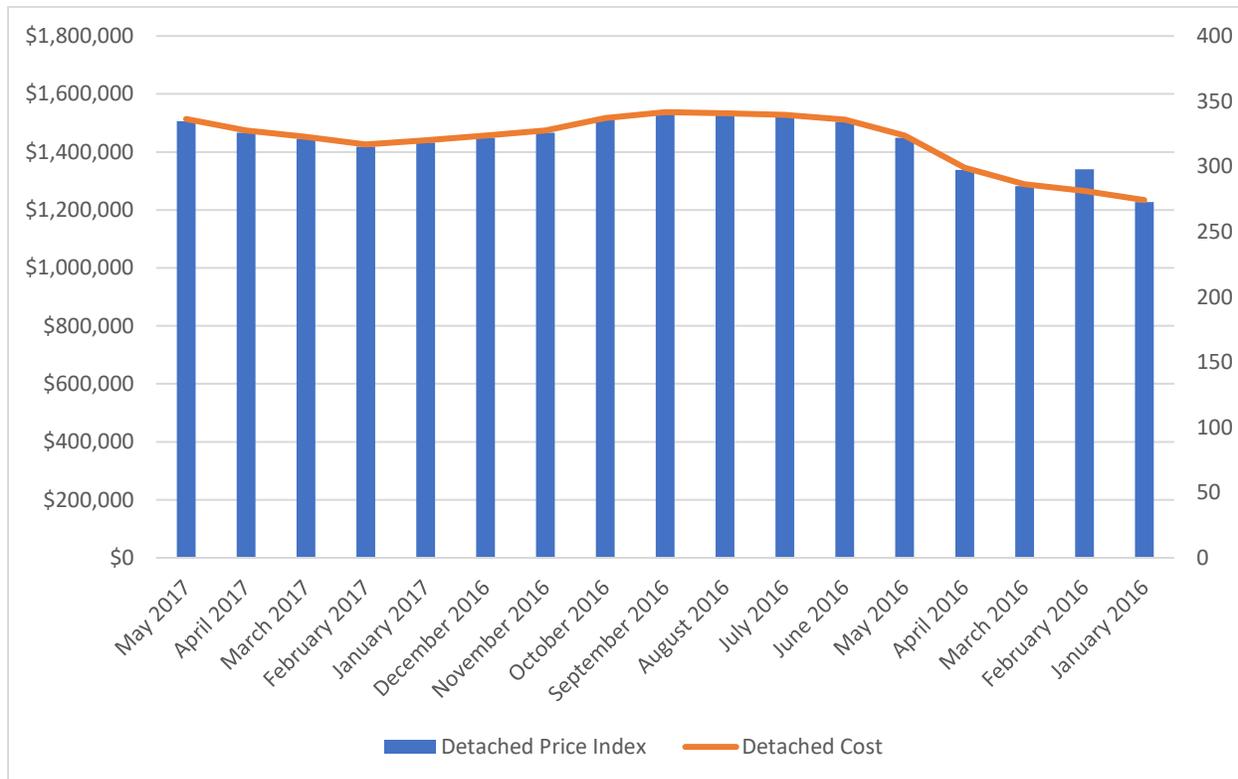


Author From: Statistics Canada

³⁹ CitySpaces Consulting and Urban Futures inc: 3

While the construction of new housing stock is key to cooling down the market, it is important to make sure that the type of supply also meets the demand. Constructing more condominiums may not be as efficient as rental and co-op housing because low income populations who are hit hard by the crisis are not likely to afford homeownership yet. Despite government's best efforts to build more houses and the rising cost of ownership, it's unclear whether supply has any effect on affordability. As the demand for new housing increases there is an inflationary cycle as a result of continuous construction, labor costs, and a competitive consumer base. Since 2008 the cost of detached home has increased up to 3.5 times while townhomes have gone up to 2.6 times. This means that prospective renters and owners are priced out of the market because they are forced to continue renting.

Table 6: Cost of Single Detached Home in the East Side of Vancouver



Author From: Greater Vancouver Real Estate Board

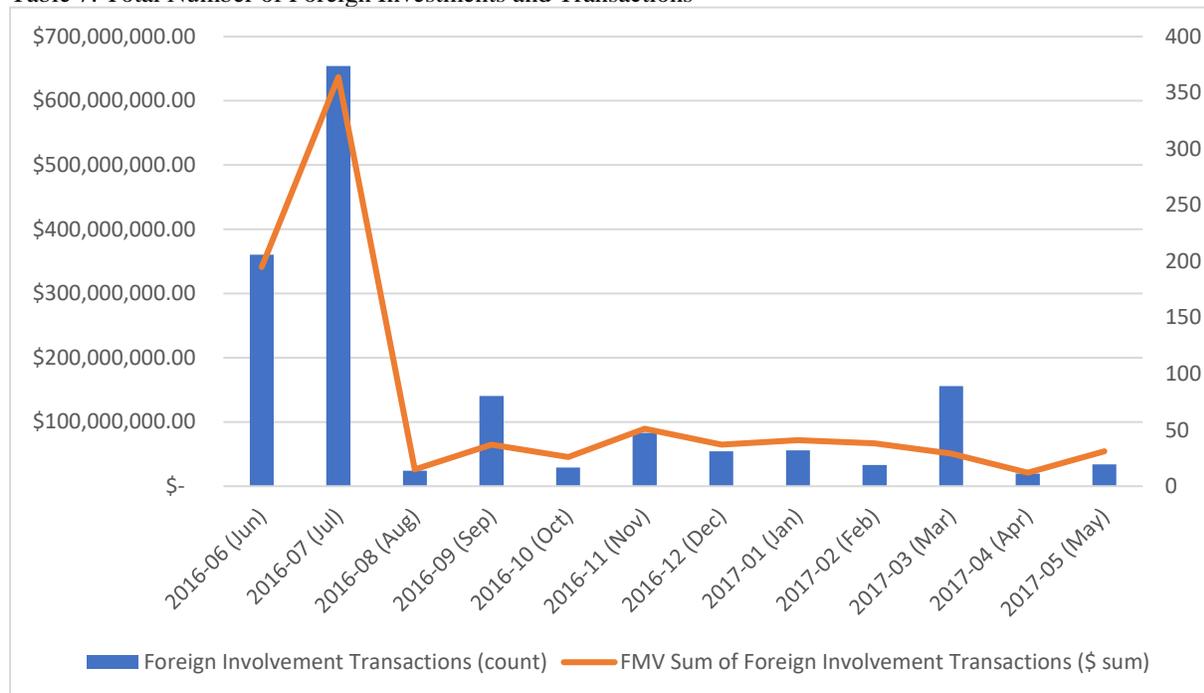
Compared to Canada and BC, Vancouver has had the lowest vacancy rate since 1992.

This is despite large efforts on all levels of government to infuse new homes into the market. The discrepancy between large injections of stock into the market and declining vacancy rates could be a result of several factors; the rate of population growth exceeds the level of supply being added to the market; or there are other sources that are absorbing the new housing stock. By other sources we mean short term residency such as Air BnB and unoccupied houses. If the latter is true, then we have other external pressures on the housing market outside of prospective renters and owners driving up demand and artificially increasing housing prices. This means that there is greater competition for housing in the market aside from residents against investors with significantly more income at their disposal. As a result people are starting to get priced out of the market because of their competitive disadvantage

Finding II: Foreign Ownership has Gone Down but Market Prices Are Still High

In the summer of 2016 the BC Government legislated a foreign buyer's tax to be rolled into the property transfer tax. The tax would be administered as an additional 15% tax on top of any property that was purchased by someone who was not a Canadian Citizen or Permanent Resident. The intention of the policy was to cool down what was perceived to be one of the biggest contributors to the housing crisis- foreign ownership. While the tax was considered an attempt to choose the policy that garnered the most political support, it was criticized for its lack of data and consultation with the market.

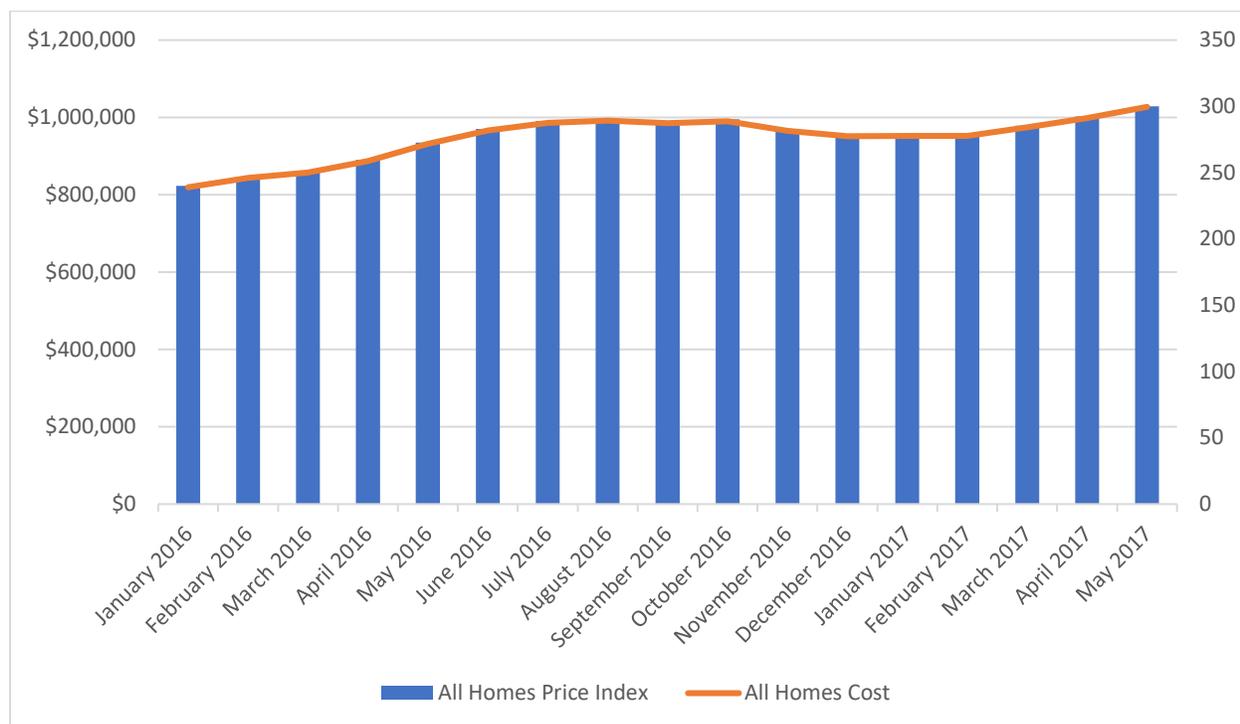
Table 7: Total Number of Foreign Investments and Transactions



Author From: BC Ministry of Finance

The tax resulted in a significant drop between July and August of 2016, however the overall effect on the market was minimal. The table above shows that in the months after the foreign owner's tax took effect there was a significant drop the number the number of transaction involving foreign owners and the sum of foreign investment. *However, despite a small decrease at the time of the implementation of the foreign buyer's tax the aggregate cost increases of houses in the market did not decrease but has remained steady and increasing.*

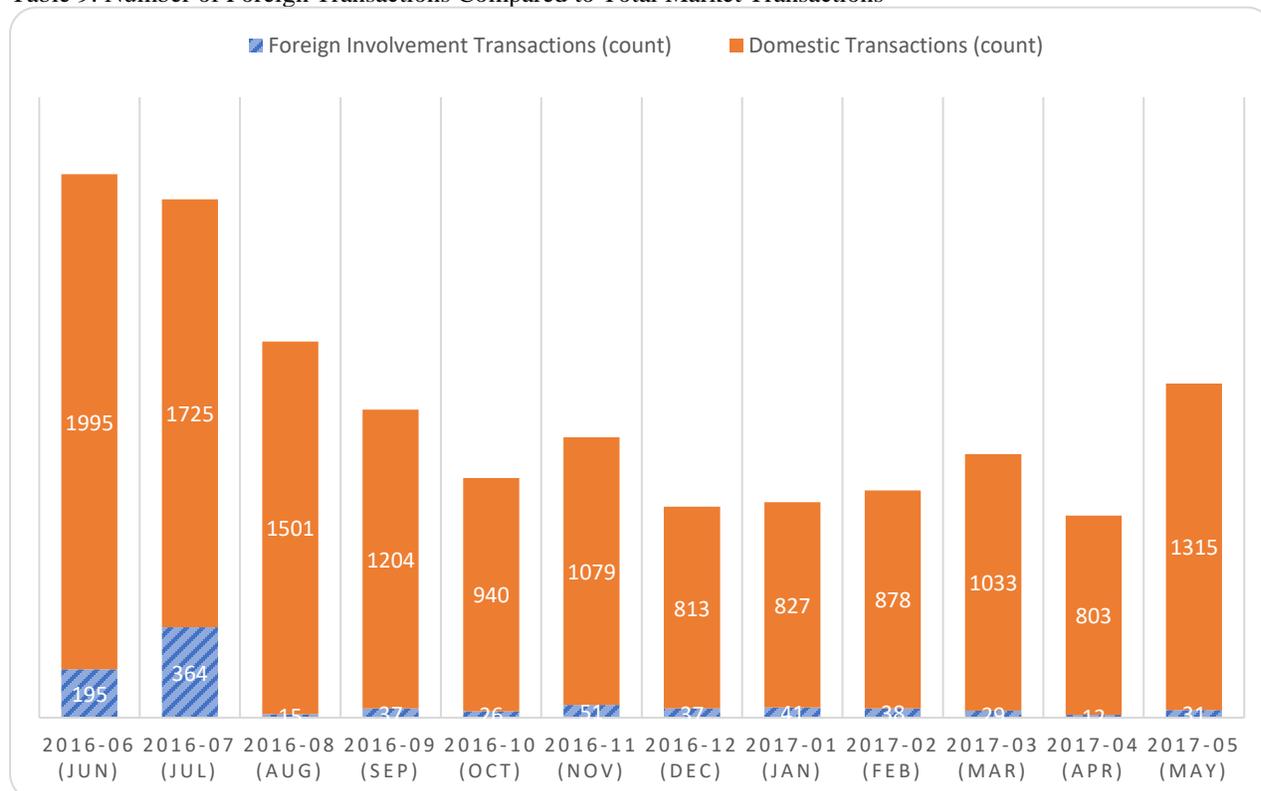
Table 8: Average Cost of Homeownership in the East Side of Vancouver



Author From: Greater Vancouver Real Estate Board

One potential reason behind the ineffectiveness of the foreign buyer's tax is that *foreign ownership only comprises a small share of the market*. Since June of 2016 foreign ownership has only consisted on average 4.77% of all market transactions made that month. And while there was a large decline in foreign investments between July and August 2016 there was also a sizeable increase in investment between June and July 2016. Although, the number of transactions has declined it would be important to consider the total tax revenue from the tax. It is possible that despite the low number of transactions the value of the properties being sold would be expensive high-end properties. More data is needed on the value of each of the investments to give an understanding of that kinds of homes are being bought by foreign owners and at what price point.

Table 9: Number of Foreign Transactions Compared to Total Market Transactions



Author From: BC Ministry of Finance

Finding III: Air BnB has had a Negative Effect on Rental Availability in the Downtown Core

One assumption is that investors are likely to leave investment housing units or list them for short term residencies. *In addition to non-occupancy, short term residencies are one of the leading causes of rental shortage in the city.* A recent study by the city of Vancouver shows the Air BnB is the biggest player in the market having had their number of listings double since 2013 with up to 5,353 listings in June 2016.⁴⁰ Given that the city has a bylaw against short term residency in units for less than 30 days, Air BnB operations are illegal.⁴¹ Given the size of the

⁴⁰ Toma, Angela. "Administrative Report, To: Standing Committee on Policy and Strategic Priorities. Vancouver: City of Vancouver, September 28 (2016): 3

⁴¹ Ibid: 2

number of listings, there appears to be a mismatch in the means available to fully regulate the market.

As mentioned in the last section, there is a strong likelihood that short term residences and Air BnB rentals may be a potential source that is absorbing potential housing units and placing stress on vacancy rates. After running descriptive statistics on Air BnB rentals during April 2015, we were able to gain several insights into the effects of Air BnB:

Table 10, Descriptive Statistics of Air BnB Listings During April 2015

Statistics					
		Year-round availability	Listings per host	Minimum nights	price
N	Valid	5541	5541	5541	5541
	Missing	0	0	0	0
Mean		141.32	2.06	4.45	135.42
Median		100.00	1.00	2.00	101.00
Std. Deviation		129.127	3.034	16.971	192.579
Variance		16673.889	9.204	288.010	37086.826
Minimum		0	1	1	13
Maximum		365	29	998	9999

Author From: Inside Air BnB

On average, Air BnB units are available for rent 141 days of the year. Because of the high variance in availability there is a strong likelihood that there is a large volume of units are listed for more than half a year. This detail is important because currently Vancouver's bylaws restrict short term occupancy at less than half on a month meaning that some units on Air BnB either are unoccupied or are in violation of city bylaws.⁴² In addition, the cities Vacancy Tax by-law defines empty homes has being vacant for more than half a year.⁴³ Furthermore, since 32.6%

⁴² Sawatzky, Karen: 13

⁴³ City of Vancouver. *Vacancy Tax By-Law No. 11674*: 3

of all users on Air BnB have more than one unit listed we can also expect owners are listing their units on Air BnB rather than putting them on the rental market. While not all units are breaking the law in some capacity there are a significant number of users who have multiple units listed on Air BnB.

Table 11: Summary Table of the Number of Listings per Host

	Frequency	Percent	Valid Percent	Cumulative Percent
1	3732	67.4	67.4	67.4
2	836	15.1	15.1	82.4
3	357	6.4	6.4	88.9
4	200	3.6	3.6	92.5
5	95	1.7	1.7	94.2
6	108	1.9	1.9	96.2
7	56	1.0	1.0	97.2
8	16	.3	.3	97.5
9	9	.2	.2	97.6
10	10	.2	.2	97.8
11	11	.2	.2	98.0
12	12	.2	.2	98.2
16	32	.6	.6	98.8
19	38	.7	.7	99.5
29	29	.5	.5	100.0
Total	5541	100.0	100.0	

Author From: Inside Air BnB

This report makes the assumption that of the hosts who have multiple listings on Air BnB that the additional listings represent properties that could be in the housing market. It may also be the case that these secondary units are investment properties and likely to be empty otherwise. The highest case we observe is one host with 29 different listings. More research needs to be done linking user listings and type of house to make the claim that it that these hosts are renting

off other properties for rent on Air BnB. While we wait for the data to be gathered, the existing data set does give the government an idea of where to start further research and regulation.

Table 12, Number of Listings per Neighborhood

Neighborhood	Frequency	Percent
Arbutus Ridge	66	1.2
Downtown	995	18.0
Downtown Eastside	288	5.2
Dunbar Southlands	135	2.4
Fairview	282	5.1
Grandview-Woodland	372	6.7
Hastings-Sunrise	186	3.4
Kensington-Cedar Cottage	342	6.2
Kerrisdale	62	1.1
Killarney	51	.9
Kitsilano	691	12.5
Marpole	111	2.0
Mount Pleasant	492	8.9
Oakridge	61	1.1
Renfrew-Collingwood	204	3.7
Riley Park	259	4.7
Shaughnessy	45	.8
South Cambie	77	1.4
Strathcona	26	.5
Sunset	97	1.8
Victoria-Fraserview	50	.9
West End	546	9.9
West Point Grey	103	1.9
Total	5541	100.0

Author From: Inside Air BnB

Almost 10% of all units listed in the month of April 2015 were concentrated in the downtown peninsula. With a majority of units being apartments and condominiums. This

correlated with two theories mentioned earlier. That Air BnB may potentially inflate the vacancy rate and price of rental units and that they may also potentially be unoccupied investment units.

Finding IV: Non-Occupancy has Remained Stable Since 2002

The term and definition of empty house has been widely contested in the policy discourse. While there is data from Stats Canada, there has been debate on whether or not a non-resident dwelling or unit owned by a permanent resident constitutes non-occupancy or foreign ownership.⁴⁴ Furthermore there are arguments around what constitutes regular occupant such as university students living on campus.

One way to subjectively determine non-occupancy is to use energy consumption as a proxy for occupancy. The city of Vancouver also recently partnered up with Ecotagious and BC Hydro to do a data analysis on energy usage. By analyzing energy usage the study is able to evaluate the number of houses that were empty rather than the reason they were left empty. *Because there are multiple variables that lead to non-occupancy it is important to analyze the net result rather than monitor the practices that led to the problem.*

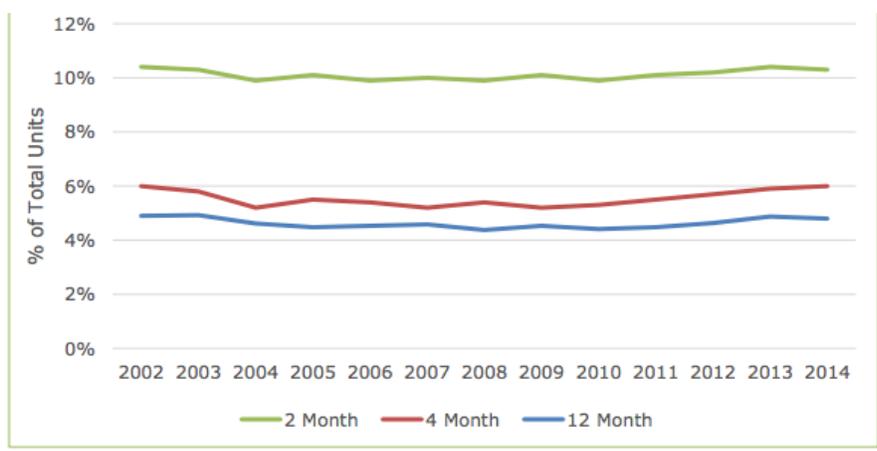
The report deemed that houses that do not use a normal level of energy consumption could potentially be considered an empty house. Some of the findings from the study are that:

- Non-occupancy in apartments which constitute 60% of the city's rental stock is higher than average at 7.2% as of 2014
- Non-occupancy rates increase the lower the threshold (12 months (4.8%), 4 months (6.0%), and 2 months (10.3%))

⁴⁴ Baxter, David, Berlin, Ryan, and Ramlo, Andrew. "Much Ado About Nothing: What the data say, and don't say, about foreign & temporary residents and unoccupied dwellings." Urban Futures Institute. 2013: 1

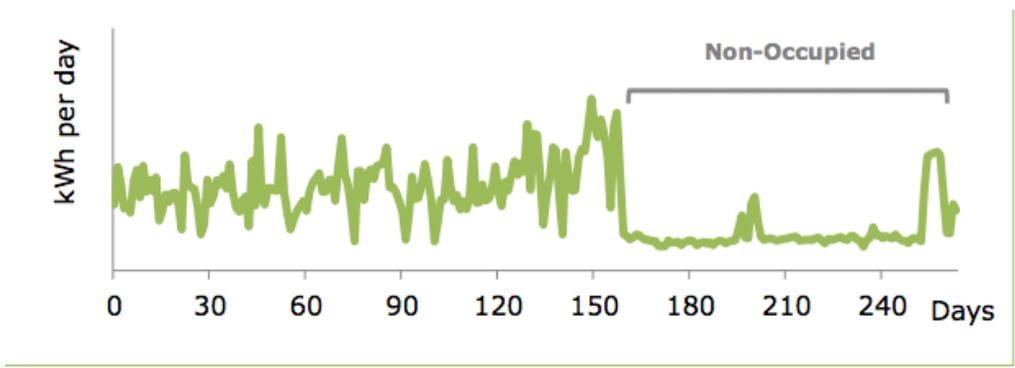
- There is a greater concentration of unoccupied units in the downtown and northwest areas (Kitsilano, Point Grey, False Creek) of the city
- A majority of units are non-occupied for more than 15 days of the month but less than
- Because non-occupancy has been stable in the past 10 years it is resistant to changes in the laws of supply and demand in the housing market. However, while the percentage has changed, more research needs to be done on the number of homes empty rather than the percentage. This is because data from this report shows that more housing units have been built in the last decade.

Table 13: Rate of Non-Occupancy in Vancouver



Source: Ecotageous BC

Table 16, Typical Home with Expended Periods of Occupancy and Non-Occupancy



Source: Ecotageous BC

Summary of Findings

The provided data sets provide a summary of the available housing data for the region of Vancouver. Initial data analysis show that despite injections of new housing stock in the market we observe increases in the cost to of ownership and rental while vacancy rates continue to stay under 2%. One potential source of this mismatch could potentially be the number of short term rental units (Air BnB) listed with greater concentration in the downtown core. Another source, is also potentially empty homes. Despite a potential correlation between the two there is definition of non-occupancy is still up for debate.

Continuous construction is not sufficient in solving the housing crisis because the laws of supply and demand do not take into account the composition of the market. To put it simply; the construction of more condominium units will not slow the market down if a majority of the consumer base cannot afford it. The data shows that there is insufficient supply of purpose built rental stock and co-ops housing units.

The lack of affordable housing units further substantiates the fact that all levels of government are acting without any policy coordination and as a result have failed to properly address the crisis. Because most new housing infrastructure projects require some level of funding or support from all levels of government, it makes the construction of social and affordable housing difficult. This results in wasted resources, restrictions on local governments abilities to act, and continued pressures on a generation of Canadians.

Policy Limitations

While the report provides a list of policy recommendations to alleviate the affordability crisis in the housing market, there are limitations to what the policies can and cannot do. Despite best efforts to deal with the crisis it is difficult for government alone to address supply and ease demand. There will always be a need for cooperation between all three levels of government and the private sector to ensure that affordable housing is provided to all British Columbians. However, changes in governments and their priorities along with varied relationships with the private sector make developing long-term strategies difficult if not impossible. Both governments and the private sector also have limitations and scarce resources that may prevent full intervention in the housing market or commitments to build more rental stock. Subsequently other policy fields such as homelessness, education, immigration, and global economic trends represent variables that can influence the housing market, present their own policy problems, and are difficult to manage, control, and predict. Other than society-wide or macro-economic factors there are other micro individual factors that influence housing choice such as access to amenities, schools, personal networks, and neighborhood preference that are not taken into account in this report and it's recommendations but are nonetheless important. Despite the market dynamics what is necessary is to identify tangible solutions that can be achieved in the short term with the hope that they have long term spillover effects.

Recommendations

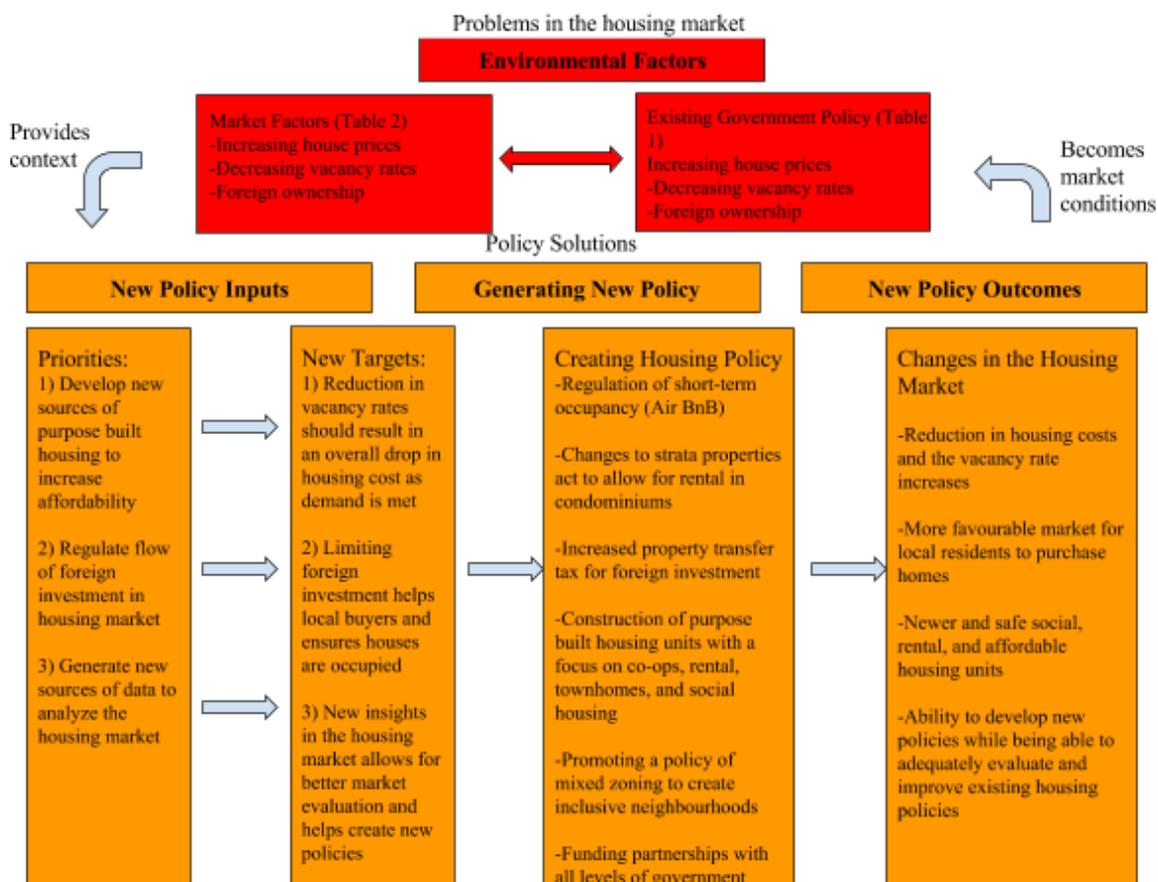
While it is clear that there needs to be a holistic approach to the housing market it is important to develop specific policies to target the individual factors that have affected the market. There is political appetite to address the housing market. Taking into account the limitations of the research, the report puts forward recommendations based on the data that provide both short term long term effects on the housing market that together comprise a robust long-term housing strategy.

It is contingent that all three levels of government work together to enact these policies. Cooperation is necessary because potential policy implementation capabilities can be mitigated through partnerships with senior levels of government. The recommended agenda is:

- 1) Improve quality of housing stock
- 2) Reduce the flow of foreign investment
- 3) Increase the amount of available housing stock

Developing a New Framework for Housing Policy

Figure 4 Environment and Input Bases Causal Theory



To inform this paper's policy recommendations it is important to look at how the current market came to be. The table above provides a causal theory that outlines the causes of the housing crisis as factors of the environment while the bottom half provides policy solutions. To create a holistic causal theory it's important to represent the environmental factors to provide context and present problems that will be solved by specific policies. This ensures that any new policy is created by first understanding the root causes of the market. Since policy creation is

always an iterative process, new outcomes will become the market environment that will inform a new set of policies that are either revisions of existing policies or completely new ones.

Recommendation 1: Create New Methods of Data Collection to Understand Different Aspects of the Market

Considering the difficulty in gathering data on housing in Vancouver outside of market trends, it is important to develop new methods and tools for gathering longitudinal data on the market. Rather than rush into developing policy without data it is important to make sure that methods of data collection are created and allowing policy formulation to flow from that. While the foreign buyer's tax has shown some signs of cooling down foreign ownership there were concerns around the decision making process. Specifically, the lack of consultation with the real-estate community or any quantitative information on foreign ownership. The only data on foreign ownership came after the implementation of the tax with little data prior to June 2016.

Since the city was recently given the ability to impose taxes on empty homes, there are several ways data can be used to assist in implementing the tax. We can use data to help narrow down the job of identifying which homes are empty. The role of data has two roles in the implementation of this policy. First, data can be used as a blunt tool to helping estimate the number of potentially empty homes. Second, specific datasets from government records can be applied to targeted houses to see if they are actually empty.

While the data alone is not sufficient to prove that the houses are empty it serves as a method to help maximize inspection time of potentially empty homes. Furthermore, large scale trends can be examined to target specific neighborhoods. Since there appears to be a relationship between low energy consumption in apartments located in the downtown core and in northwest

Vancouver, a high concentration of Air BnB rentals⁴⁵ coupled with low vacancy rates⁴⁶ makes a strong case of policymakers to target. In this circumstance data can be used to create predictive models to aid government bureaucrats in applying the tax.

When it comes to the application of the tax, it is important to move beyond formal models and use more accurate policy tools. Given that there are several permissible exemptions from the tax such as a minimum occupancy rate of six months out of twelve or the changeover of property ownership⁴⁷ there are several ways data can be applied to help track the validity of such exemptions. The applicant's personal income tax data can be used in conjunction with other criteria for exemption such employment information against property taxes paid can provide insight in houses that are used by residents employed by the city. Creating a model that can best predict and validate occupancy vs non-occupancy will also help create a process for property owners appealing the tax assessment.

Recommendation II: Regulate and Tax Short Term Residencies

Understanding the data behind Air BnB and the density of its listings should give policymakers a clear idea of which areas in city to target, what units to target and a way of analyzing the success of the registration system. Since the data shows significant pockets of listings in the downtown core and in the north-eastern part of Vancouver those neighborhoods would be neighborhoods to place attention to when trying to regulate the market. Furthermore, the data show that one user could potentially have multiple units listed at a given time and some

⁴⁵ Inside Air BnB

<http://insideairbnb.com/vancouver/index.html?neighbourhood=&filterEntireHomes=false&filterHighlyAvailable=false&filterRecentReviews=false&filterMultiListings=false>

⁴⁶ Rental housing Index: : <http://rentalhousingindex.ca/#>

⁴⁷ City of Vancouver. "Will your home be taxed?" <http://vancouver.ca/home-property-development/will-your-home-be-taxed.aspx>

units are made unavailable for more than half the year. To adequately monitor and regulate Air BnB it is necessary to:

- 1) Restrict the number of allowable units listed per user down to 1, which must be the primary unit of residence.
- 2) Cap the number of days of the year a unit is allowed to be listed on Air BnB to half a year or 15 days of the month.
- 3) Require that all users apply for a proper business license to list their homes on Air BnB given that they meet all the preceding criteria

By requiring that business owners apply for licenses prior to them being able to post on Air BnB will allow the province and municipality to control the market. This is helpful in reducing the likelihood of investors leaving homes empty by opting to list multiple units rather than rent. The licensing agency will be able to tell who at a given time has a unit listed, how many days it is available, and monitor listings as they go up. While it is important that the unit rented is their primary unit, restricting the number of days available to half a year will provide some insurance in the case that the unit listed is not the primary residence. The rationale for half a year or 15 days is that, if a unit was non-occupied and still listed on Air BnB the property would be taxed due to non-occupancy. The intention of the policy is not to discourage residents from renting a spare room but rather to ensure that investors are not taking advantage of the market by listing empty homes on Air BnB.

Recommendation III: Implementation of an Empty Houses Tax

This report will suggest an alternative policy to address foreign ownership and empty houses all together. To create a comprehensive policy, the report suggests that:

1. Properly define non-occupancy and empty homes
2. Develop policy that compares income tax and mortgage data against property values

It is important to properly define non-occupancy and empty homes because the definition changes vary from government organization, advocacy groups, and public perception. The report adopts the City of Vancouver’s definition as:

“Unoccupied property 2.2 Residential property is considered to be unoccupied in the following circumstances: (a) the residential property is not the principal residence of an occupier; or (b) the residential property is not occupied by a tenant or subtenant for a term of at least 30 consecutive days. 2 Vacant property

2.3 Residential property is considered to be vacant property if: (a) it has been unoccupied for more than 180 days during the vacancy reference period; or (b) it is deemed to be vacant property in accordance with this by-law”⁴⁸

With the current definition of empty homes, the report suggests taxing capital property rather than the owner themselves. The data suggests that foreign owners occupy a small percent of market transactions it would make more sense to tax the property regardless of whether or not the buyer is domestic or international. There is also likely a potential population of domestic investors that are leaving homes empty to the same degree as foreign investors. By taxing the property the policy has the potential to address both domestic and foreign investors in the market who leave houses unoccupied and drive up the overall costs in the market.

Recommendation IV: Construct Additional Rental, Social, and Low-Income Housing

Based on the findings of the report it is clear that there has been a lack of purpose built affordable housing units available. Halfway through Vancouver’s Housing and Homeless Strategy only 37% of social housing targets have been met.⁴⁹ It’s clear that while there needs to

⁴⁸ City of Vancouver. *Vacancy Tax By-Law No. 11674*: 2-3

⁴⁹ Thomas, Kathleen: 3

be some reliance on the private sector to provide housing units at various price points to ease demand there needs to be a coordinated effort on all three levels of government to develop policies to address affordability in the market. Each of the different types of housing unit build needs to correspond with the different types of housing needs.⁵⁰ If there is a high number of low income earners looking for housing there is an overwhelming need for more purpose built rental units. The report recommends that over the next 5 years that all levels of government commit to:

1. Funding for social and low-income housing such as co-ops and purpose built rental stock.
2. Incentives be placed on developers to build more purpose built rental units
3. Zoning policies be implemented to create mixed neighborhoods.

Given that the data suggests a mismatch between the composition of housing stock relative to consumers on the market it makes sense to build more government funded affordable housing units in co-ops and purpose-built rentals. The focus should not be the number of new housing supply being built, but rather the type, its location, and affordability. This would require a harmonized approach on all three levels of government to fund new affordable and social housing developments. However, a window for progress on housing has opened with a federal government that is open to committing more funding for housing, a new provincial government that campaigned building 114,000 new rental and co-op units, and a municipal government that has offered land for such development.

Despite potential for government action there is a need to rely on the private sector to continue developing stock and affordable housing units. To encourage developers to contribute a

⁵⁰ McClanaghan & Associates “CITY OF VANCOUVER RENTAL HOUSING STRATEGY RESEARCH AND POLICY DEVELOPMENT”. McClanaghan & Associates (2010): 13

greater portion of new developments as purpose built below market or rental units it would be necessary to provide incentives such as tax breaks or subsidies.

Due to constraints on land availability the city needs to be strategic with zoning policies reinforcing the need for inclusionary zoning⁵¹. We can define inclusionary zoning as compact areas which encourage people to live closer to where they work, access public services, and shop.⁵² Given that there is an East-West divide in housing prices, creating mixed neighborhoods may be able to address the wide property value gap. Mixed neighborhoods mitigate issues of ghettoization and social stratification by designing neighborhoods that contain different housing tenures without residents being able to distinguish between them. Inclusionary zoning involves creating targets for private developers to set aside a percentage of new housing units as affordable housing or new rental stock.⁵³ The ability to live closer to work will also reduce the cost of living by eliminating the need for private car use⁵⁴ while also increase job options and labor mobility⁵⁵.

⁵¹ Lee, Marc: 32

⁵² Ibid: 33

⁵³ Ibid: 32

⁵⁴ Revington, Nick, and Craig Townsend. "Market Rental Housing Affordability and Rapid Transit Catchments: Application of a New Measure in Canada." *Housing Policy Debate* 26, no. 4-5 (2016):864

⁵⁵ Ibid: 882

Conclusion

The purpose of this report was to create a context that will help policymakers understand the most salient policy issues when it comes to housing affordability. Even though taxes and regulations on key drivers of low vacancy rates such as non-occupancy and short-term residencies can be addressed it is only one piece of a larger policy puzzle. While the recommendations in this paper present a variety of different perspectives and solutions in the housing market, more data can be provided to help strengthen our recommendations and provide different perspectives. Since the report's recommendations are based on quantitative data, future research should be designed to either find ways to gather new data sources or find qualitative data that reinforces the report's findings.

It's clear that conceptualizing the housing market as a function of supply and demand is an inadequate way of dealing with the housing crisis. Furthermore, it would be naive to believe that the solution to the crisis can be left to the private sector to resolve. What is necessary is a harmonized strategy between government and private sector to regulate the market. The paper outlines specific mechanisms such as new governmental agencies tasked with generating and monitoring data, regulating short term residencies, and taxing empty homes. All of which require synergy between the public and private sector.

To help monitor and develop policies to regulate the housing market it is also necessary to begin research to develop new technology to provide market data. Generating new data sets will provide a clearer picture of the market and can help demystify any contestation of ambiguous terms such as non-occupancy and potentially de-politicize foreign ownership. Furthermore, a data centered approach can help strengthen current regulations and policies, having access to longitudinal income on variables such as income, access to public amenities,

and public transit will only help provide more context on what factors also help determine where people live and why they live there.

Finally, since this report focuses on quantitative data, we can add a dimension of social context when it comes to formulating policy through gathering more qualitative data. Given that there is a clear east-west divide in the city when it comes to class more research can be committed to understanding why people choose to live where they do. This will provide another perspective when it comes to understanding some of the complexities of the report's recommendations. For instance, information not captured by the data can tell us why people may not necessarily move despite opportunities in greater housing security.

To understand this phenomenon, future research should also be committed to understanding the micro effects of class and ethnicity when it comes to housing choice. The segregation of ethnic minorities and low-income citizens further reinforces the notion of Vancouver becoming an apartheid city with a growing division between the rich and poor.⁵⁶ Understanding how to provide greater housing security to society's most vulnerable will help strengthen the recommendations of this report.

While there have been steps taken by all three levels of government to address the housing crisis the housing market is not showing any clear signs of cooling down. Rather than a cohesive national strategy to address the housing crisis each level of government has been acting in silos when it comes to developing policy solutions. However, with a shift in government agenda across all levels of government over the last few years there is potential to develop a cohesive new housing policy agenda.

⁵⁶ CBC. "Vancouver becoming 'apartheid city' in housing crisis, says former UN rep." CBC.ca. [://www.cbc.ca/news/canada/british-columbia/miloon-kothari-vancouver-housing-1.4146672](http://www.cbc.ca/news/canada/british-columbia/miloon-kothari-vancouver-housing-1.4146672)

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Appendix

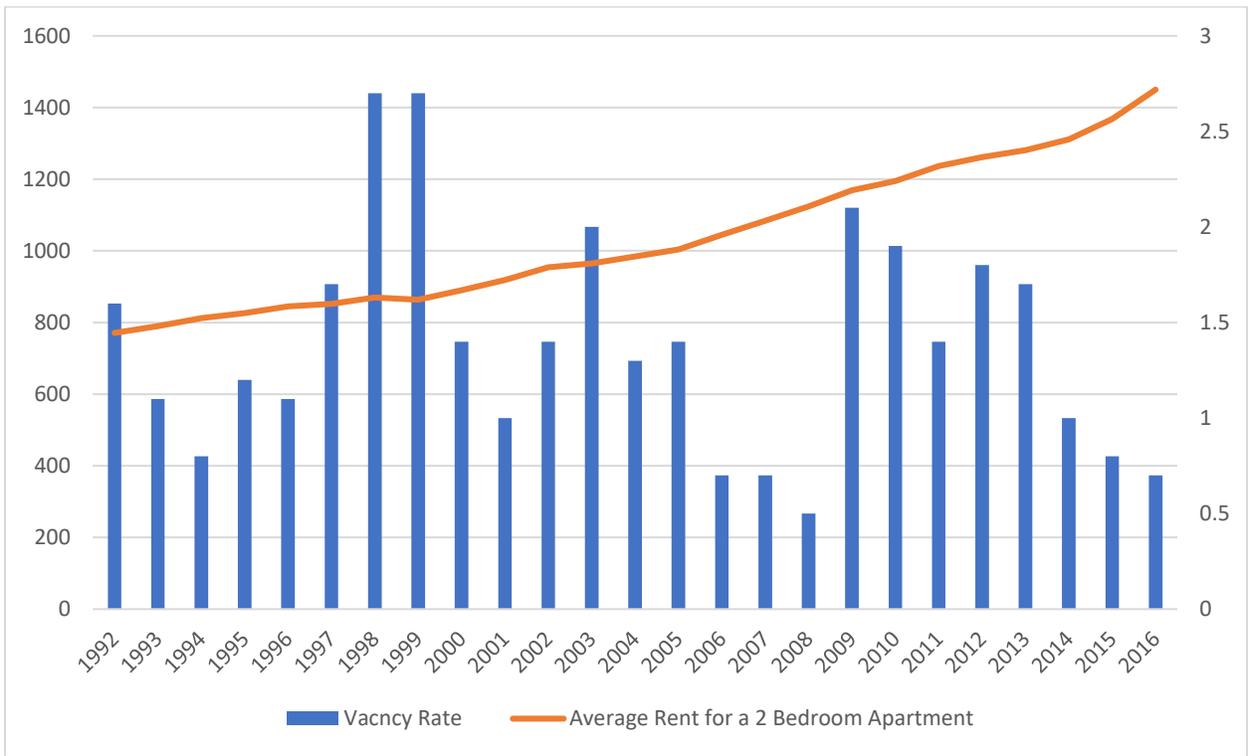
Data and Summary Table

Dependent Variable- Supply and Demand Factors			
Variable	Indicator	Data Source	Interpretation
Construction Rates	-Housing Starts, number of registered homes,	-BC Housing, CMHC, Stats Canada	Increased construction may lead to increase in housing/rental stock that could help ease demand by creating more supply.
Vacancy Rates	-Number of houses avail for rent	-Rental Housing Intex, Stats Canada	Low vacancy rates mean that the rate of demand is greater than the supply available. It can also be implicated that the number of renters becoming homeowners is happening at a slower rate.
Housing Costs	-Housing Price index, Cost of ownership	CMHC, Stats Canada, GVREB	Rate of increase each year would be dependent on government policies. Rapid increase over a short period of time may be a result of market de regulation and foreign ownership.
Independent Variables			
Variable	Indicator	Data Source	Interpretation
Short Term Occupancy	Number of Air BnB units	Inside Air BnB	Short term occupancy is illegal in Vancouver. Rather than be offered as rental units they are used as a business. Results in less rooms available for rent. Results in less rental stock.

Empty Homes	Number of Empty/unoccupied homes	Rental Housing Index, Stats Canada, Ecotagious study	Biggest contributors to lower vacancy rates is empty homes. Often they are investment properties and left vacant, inflating the housing market. Units could have otherwise been market or rental housing.
Affordability/Income	Income/cost to rent	Stats Canada, CMHC, Rental Housing Index	Affordability is determined if the total cost of shelter takes up 30% of a household's net income. With increased costs in rent and home ownership (possibly to do low vacancy rates in a competitive market) we should see a decrease in housing cost with an increase in vacancy rates. As a result the cost of housing will go down and households will spend less on housing
Market Turnaround	Absorption Rates	CMHC, GVREB	The rate in which houses are taken off the market soon after completion. If there is high market turnaround with no changes in vacancy rates it is possible to draw suspicion as to what units are being taken up. If there is high market turnaround with no other changes in the market, makes that case that it is supply variety that is the problem.

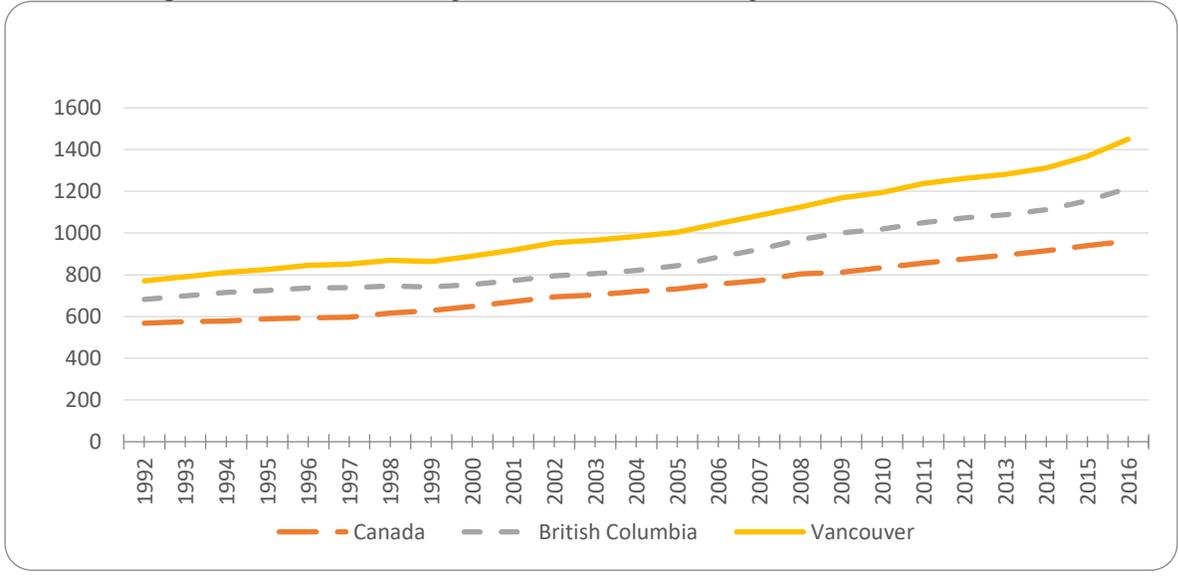
Tables and Figures

Table 1, Cost of Two-Bed Room Apartments compared to Vacancy Rates



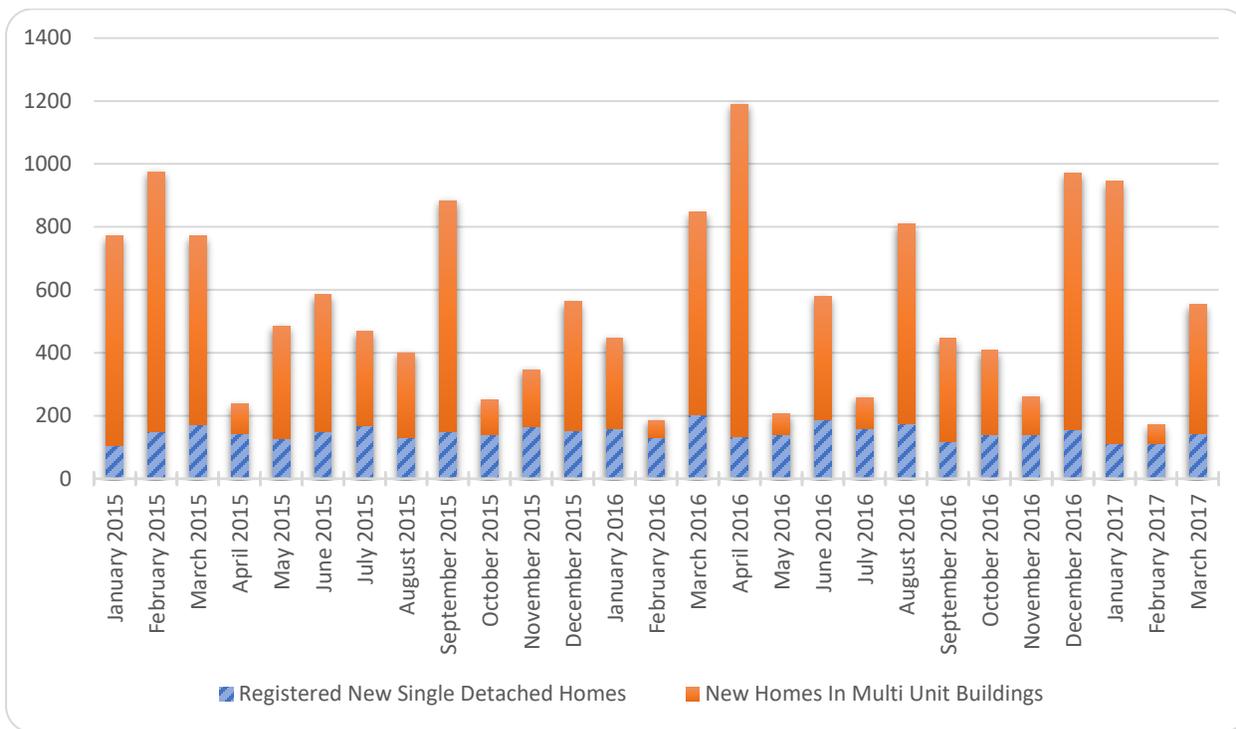
Author From: Statistics Canada

Table 2: Average Rent for a 2 Bedroom Apartment in Vancouver compared to BC and Canada



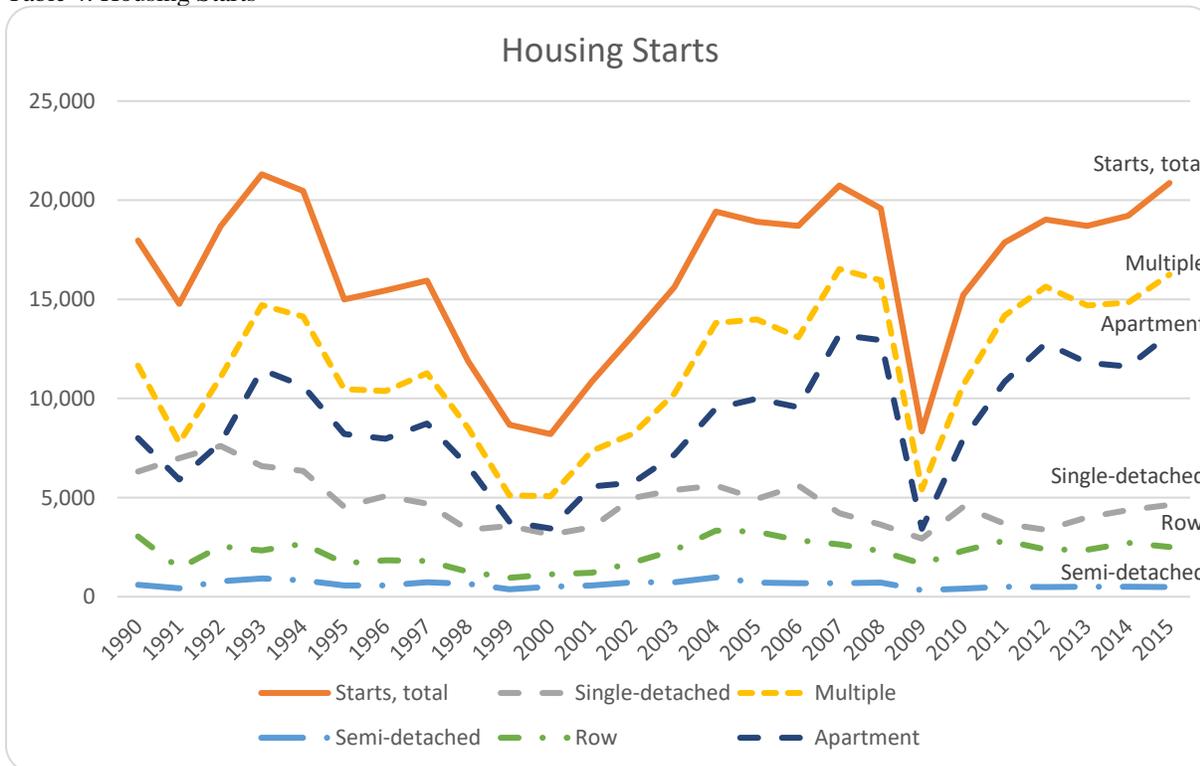
Author From: Statistics Canada

Table 3: Housing Composition and Stock in Metro Vancouver



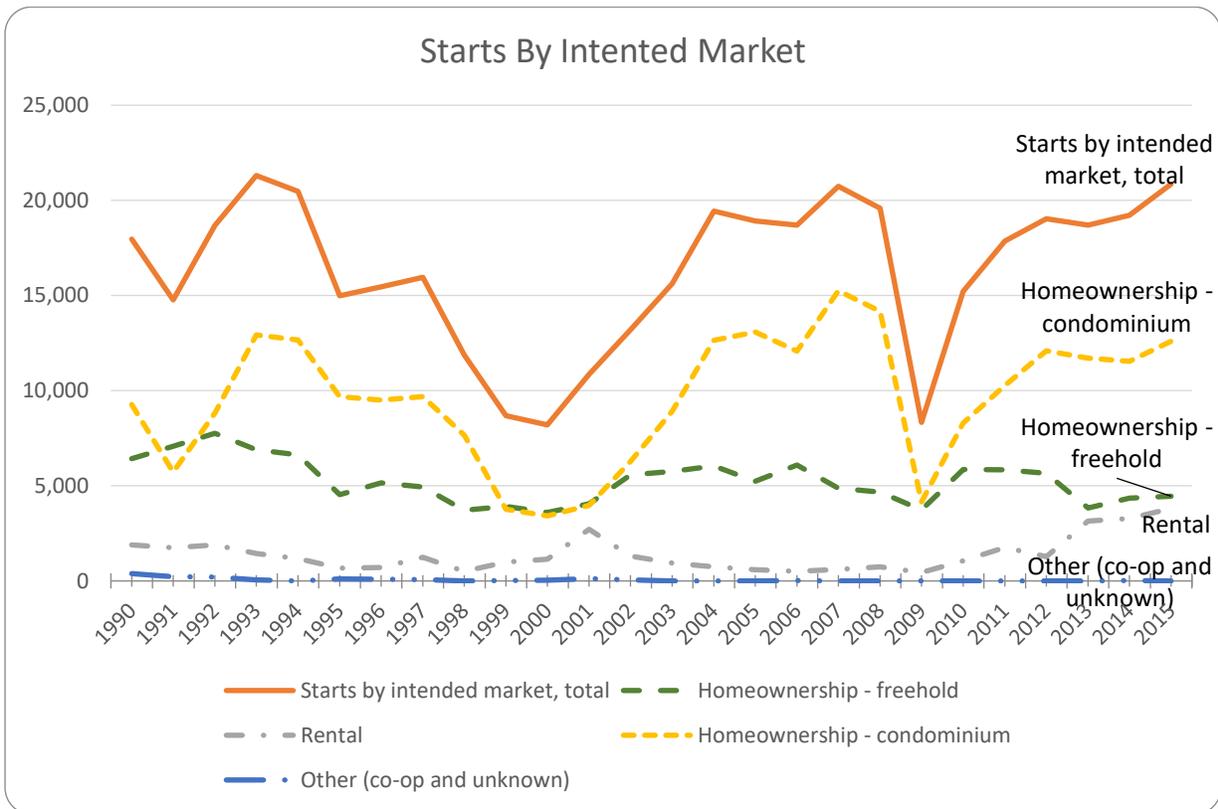
Author From: BC Housing

Table 4: Housing Starts



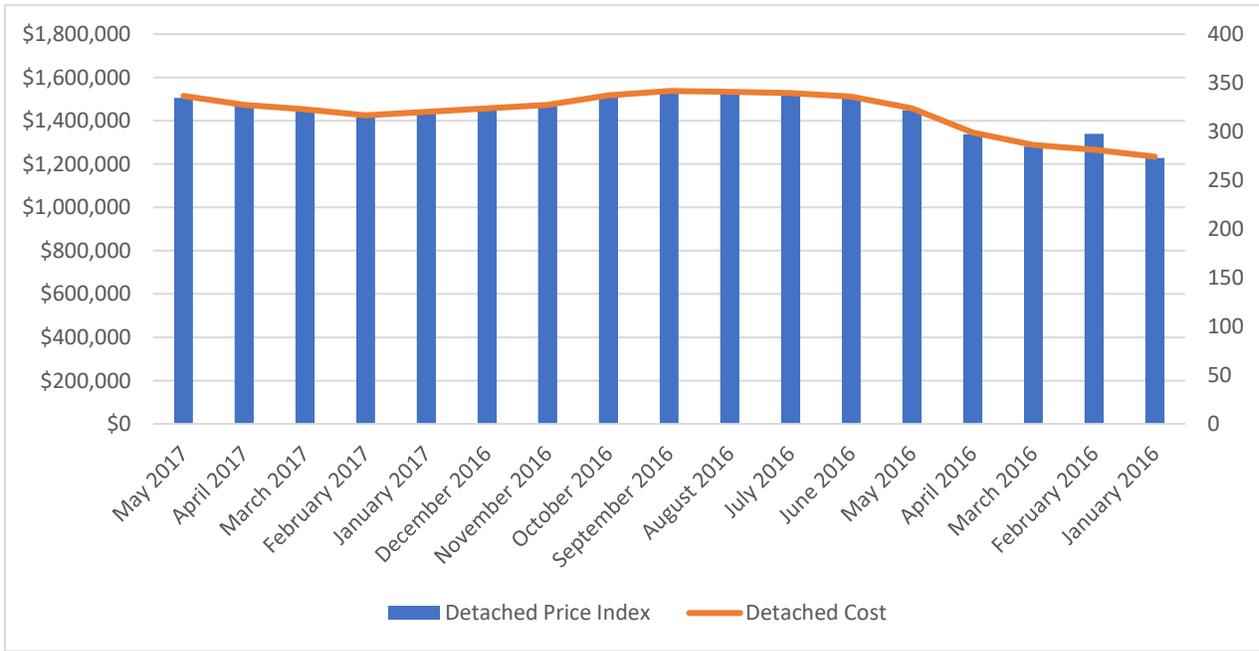
Author From: Statistics Canada

Table 5: Housing Starts by Intended Market, Source: Statistics Canada



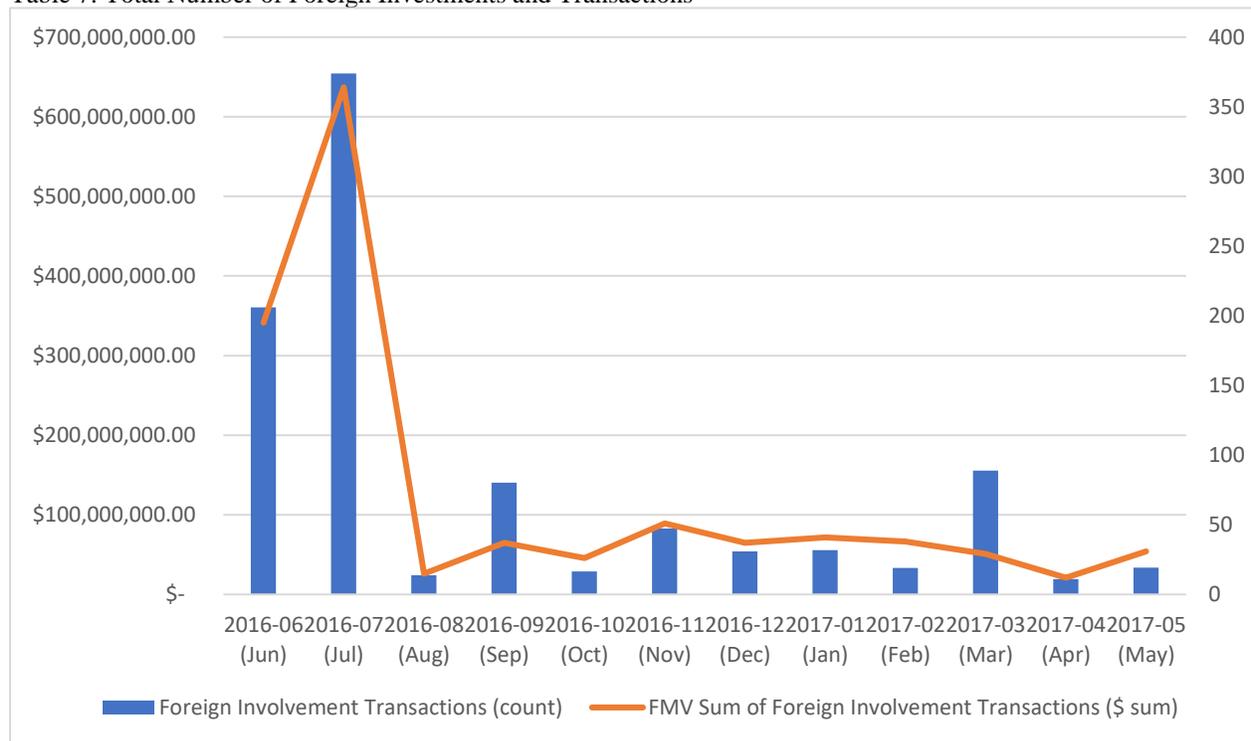
Author From: Statistics Canada

Table 6: Cost of Single Detached Home in the East Side of Vancouver



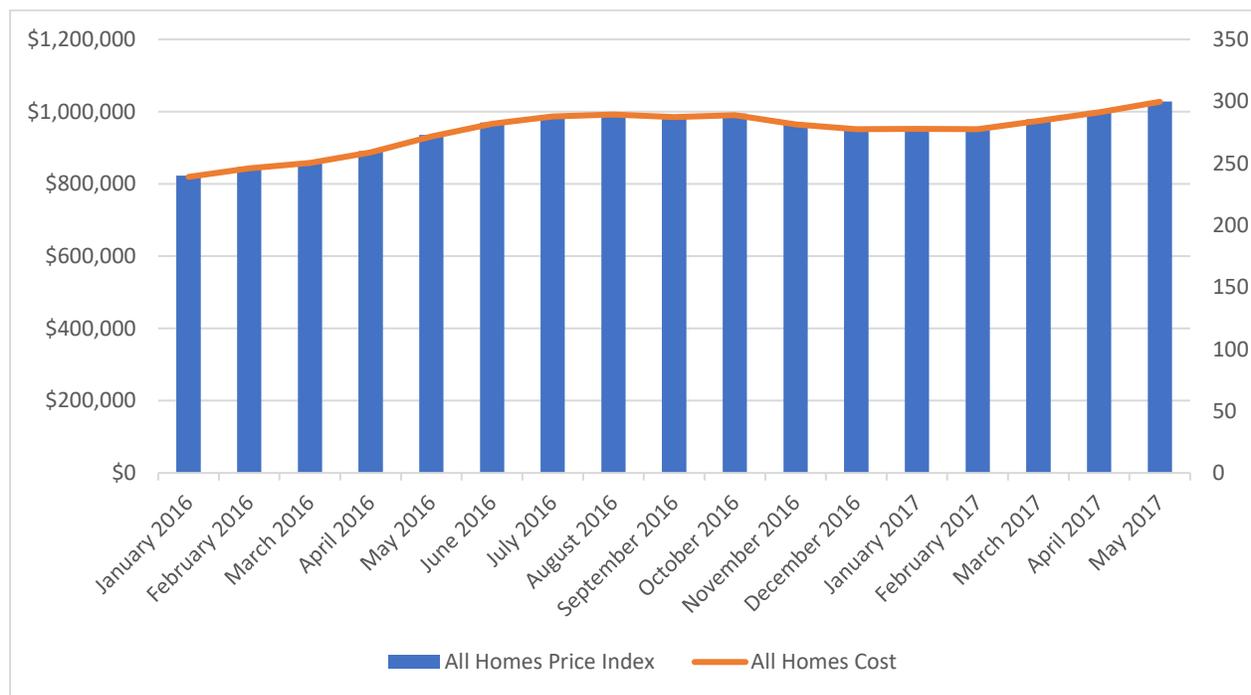
Author From: Greater Vancouver Real Estate Board

Table 7: Total Number of Foreign Investments and Transactions



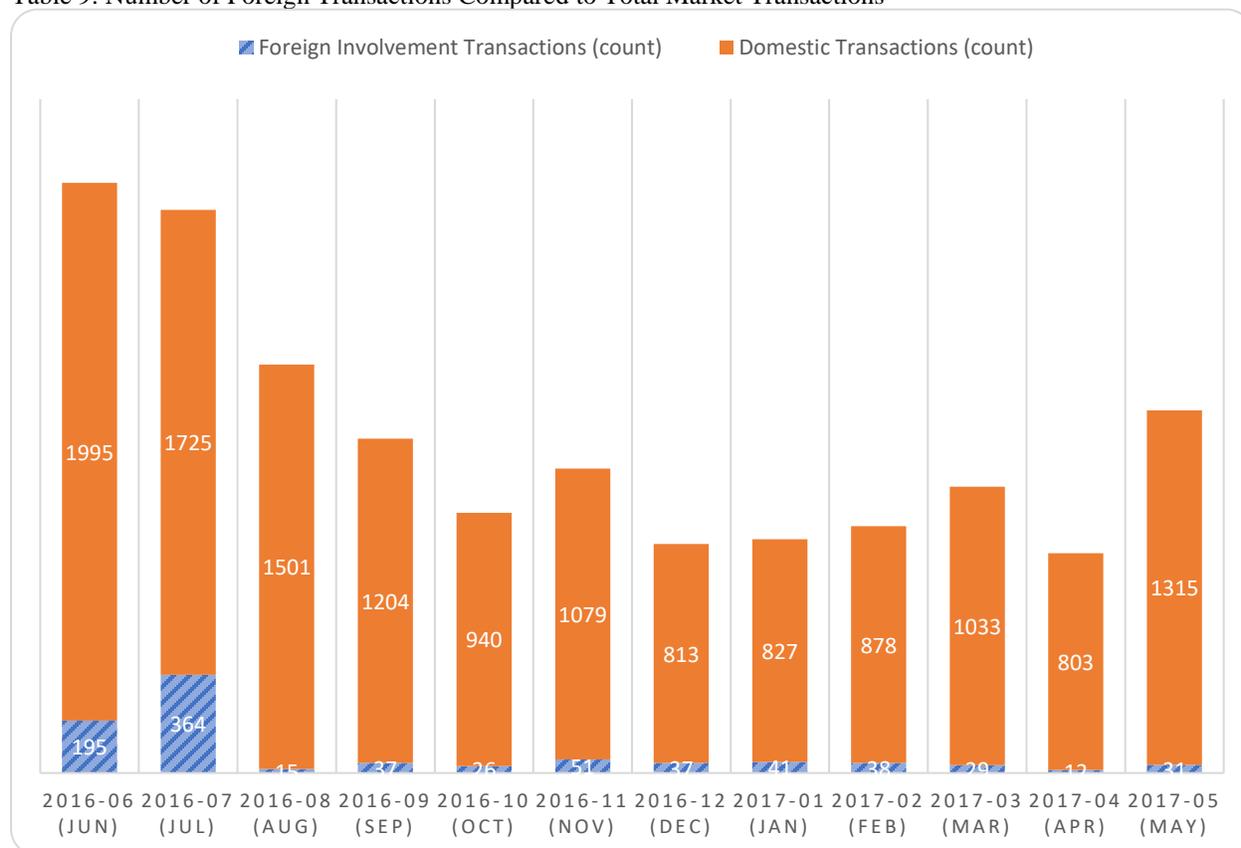
Author From: BC Ministry of Finance

Table 8: Average Cost of Homeownership in the East Side of Vancouver



Author From: Greater Vancouver Real Estate Board

Table 9: Number of Foreign Transactions Compared to Total Market Transactions



Author From: BC Ministry of Finance

Table 10, Descriptive Statistics of Air BnB Listings During April 2015

Statistics					
		Year-round availability	Listings per host	Minimum nights	price
N	Valid	5541	5541	5541	5541
	Missing	0	0	0	0
Mean		141.32	2.06	4.45	135.42
Median		100.00	1.00	2.00	101.00
Std. Deviation		129.127	3.034	16.971	192.579
Variance		16673.889	9.204	288.010	37086.826
Minimum		0	1	1	13
Maximum		365	29	998	9999

Author From: Inside Air BnB

Table 11: Summary Table of the Number of Listings per Host

	Frequency	Percent	Valid Percent	Cumulative Percent
1	3732	67.4	67.4	67.4
2	836	15.1	15.1	82.4
3	357	6.4	6.4	88.9
4	200	3.6	3.6	92.5
5	95	1.7	1.7	94.2
6	108	1.9	1.9	96.2
7	56	1.0	1.0	97.2
8	16	.3	.3	97.5
9	9	.2	.2	97.6
10	10	.2	.2	97.8
11	11	.2	.2	98.0
12	12	.2	.2	98.2
16	32	.6	.6	98.8
19	38	.7	.7	99.5
29	29	.5	.5	100.0
Total	5541	100.0	100.0	

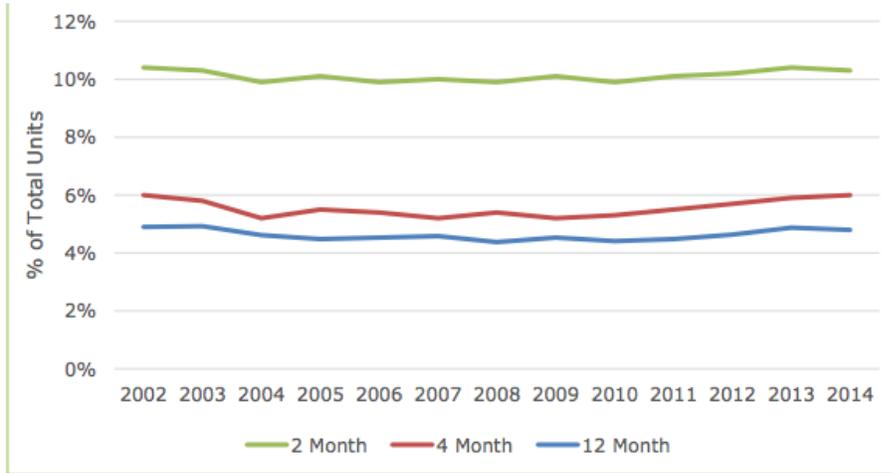
Author From: Inside Air BnB

Table 12, Number of Listings per Neighborhood

Neighborhood	Frequency	Percent
Arbutus Ridge	66	1.2
Downtown	995	18.0
Downtown Eastside	288	5.2
Dunbar Southlands	135	2.4
Fairview	282	5.1
Grandview-Woodland	372	6.7
Hastings-Sunrise	186	3.4
Kensington-Cedar Cottage	342	6.2
Kerrisdale	62	1.1
Killarney	51	.9
Kitsilano	691	12.5
Marpole	111	2.0
Mount Pleasant	492	8.9
Oakridge	61	1.1
Renfrew-Collingwood	204	3.7
Riley Park	259	4.7
Shaughnessy	45	.8
South Cambie	77	1.4
Strathcona	26	.5
Sunset	97	1.8
Victoria-Fraserview	50	.9
West End	546	9.9
West Point Grey	103	1.9
Total	5541	100.0

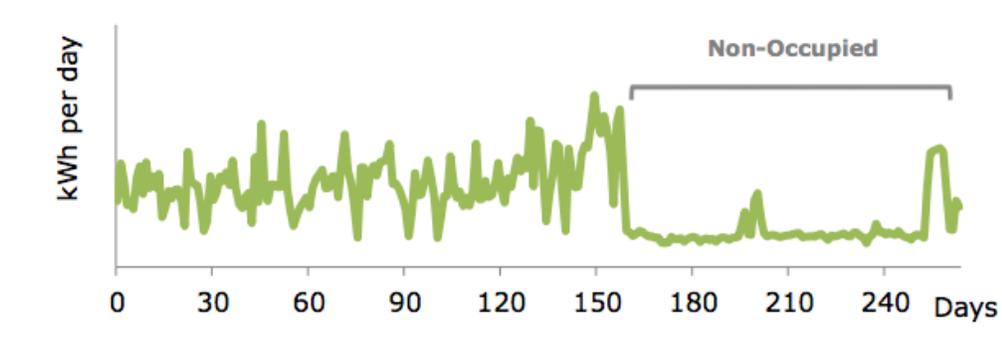
Author From: Inside Air BnB

Table 13: Rate of Non-Occupancy in Vancouver, Source: Ecotageous BC



Source: Ecotageous BC

Table 16, Typical Home with Expedited Periods of Occupancy and Non-Occupancy



Source: Ecotageous BC

Figure 1 Map of Stakeholders in Vancouver's Housing Market

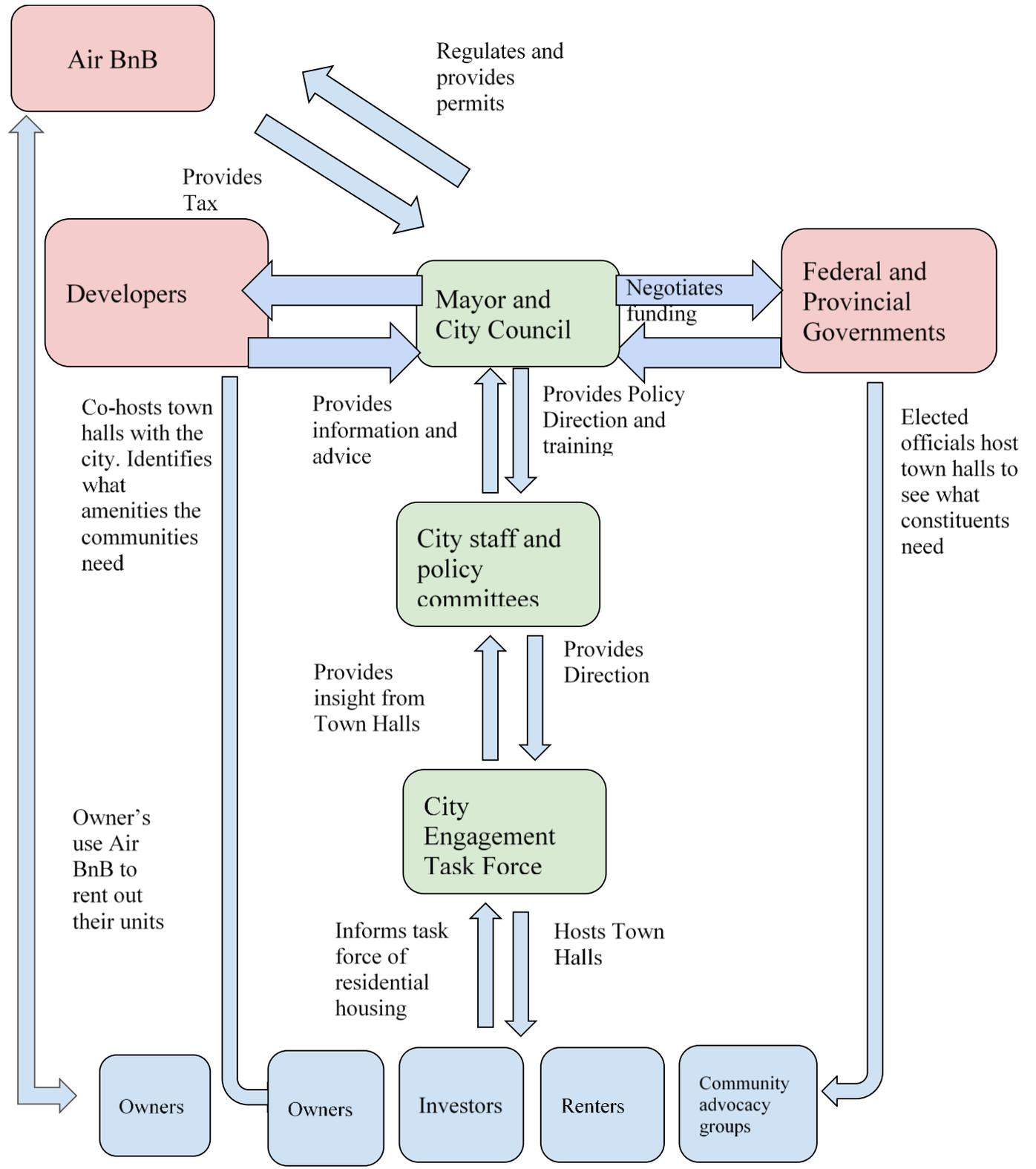
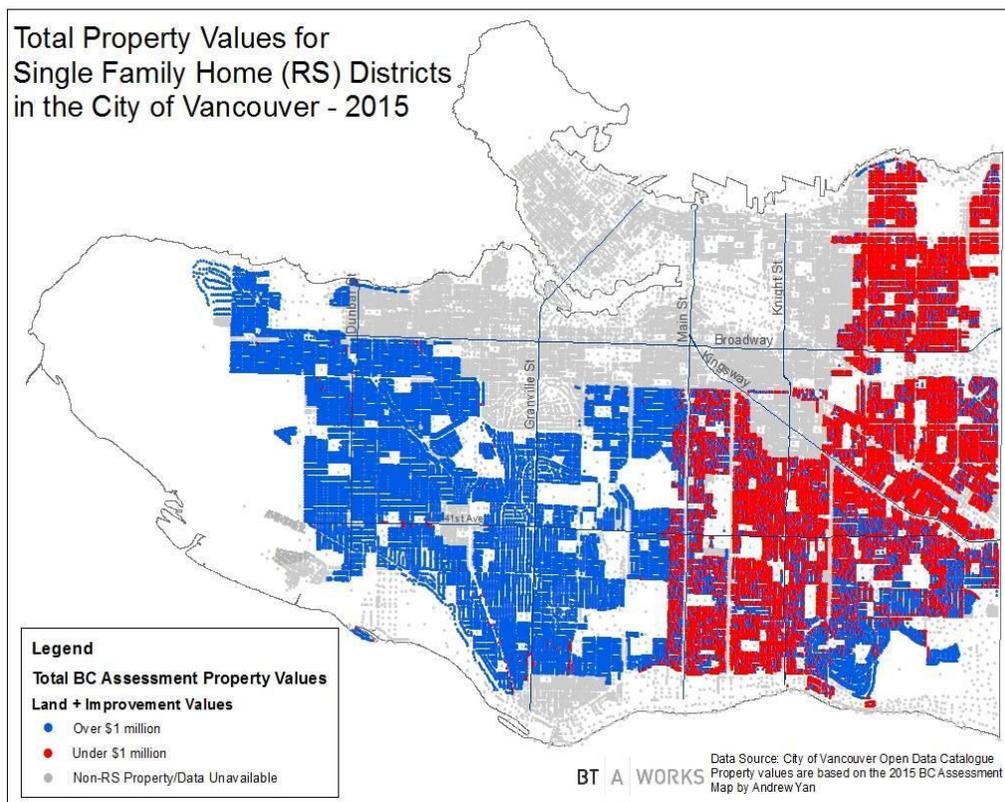


Figure 2 Assessment of Property Values in Vancouver over and under \$1Million



Source: City of Vancouver Open Data Catalogue, 2015 BC Assessment Map by Andrew Yan

Figure 3 Environment and Input Bases Causal Theory

