



Housing Policies and Housing Market Outcomes

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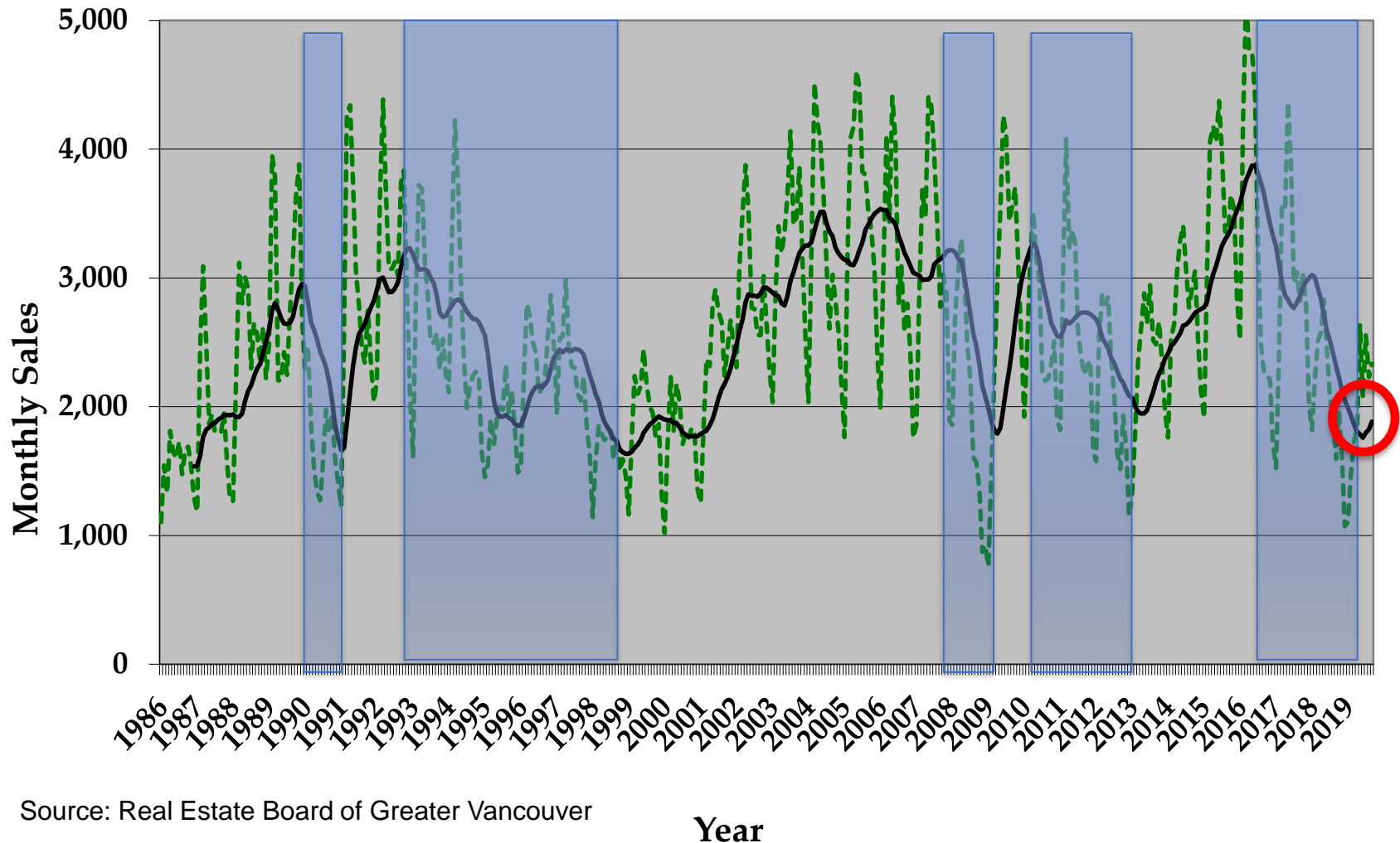
BC Expropriation Society

Roadmap

- What are current conditions?
- How do we understand chain of policy actions on housing
 - Federal
 - Provincial
 - Municipal

Historic Sales Downturns

Greater Vancouver - Total Sales

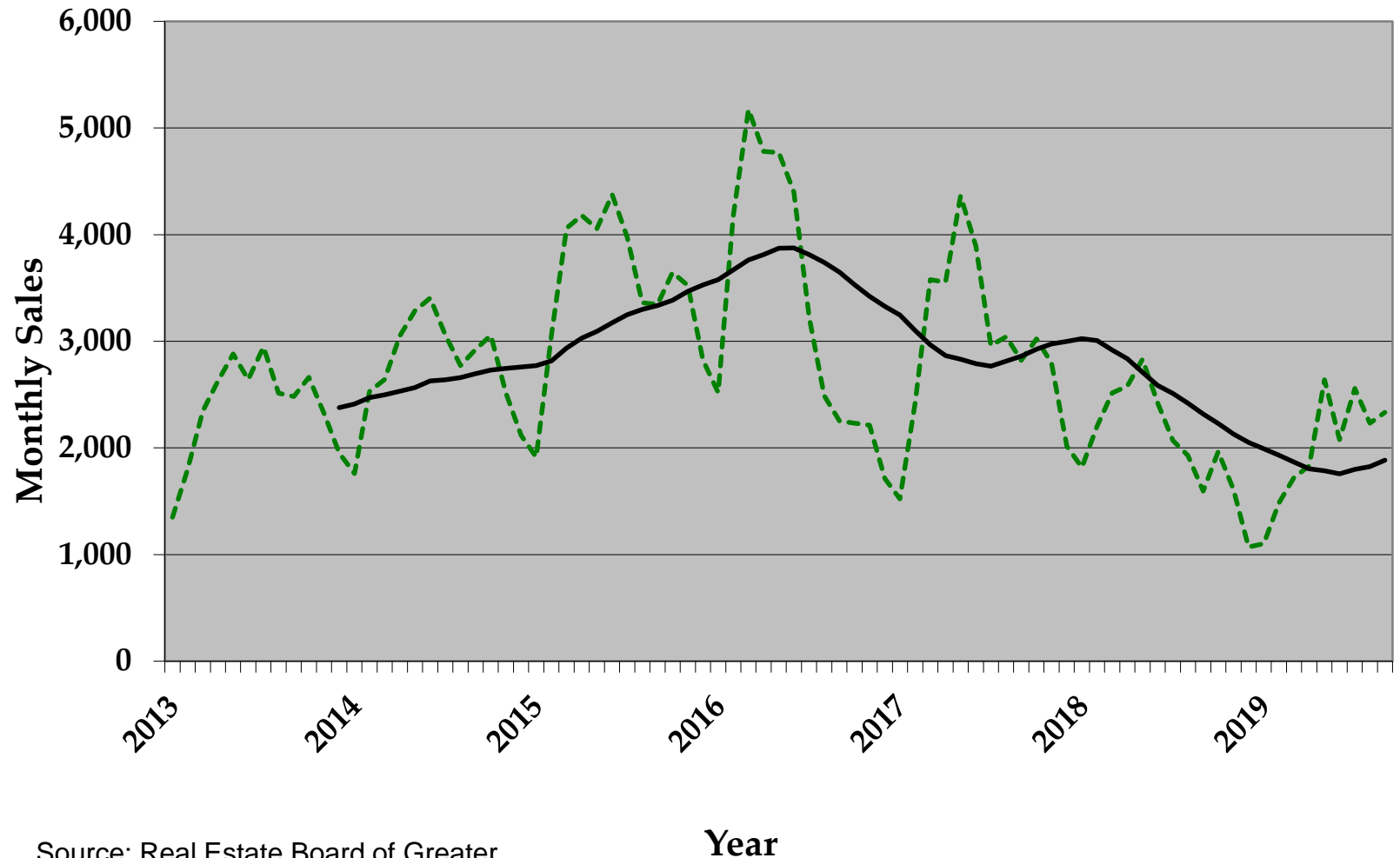


Source: Real Estate Board of Greater Vancouver

Year

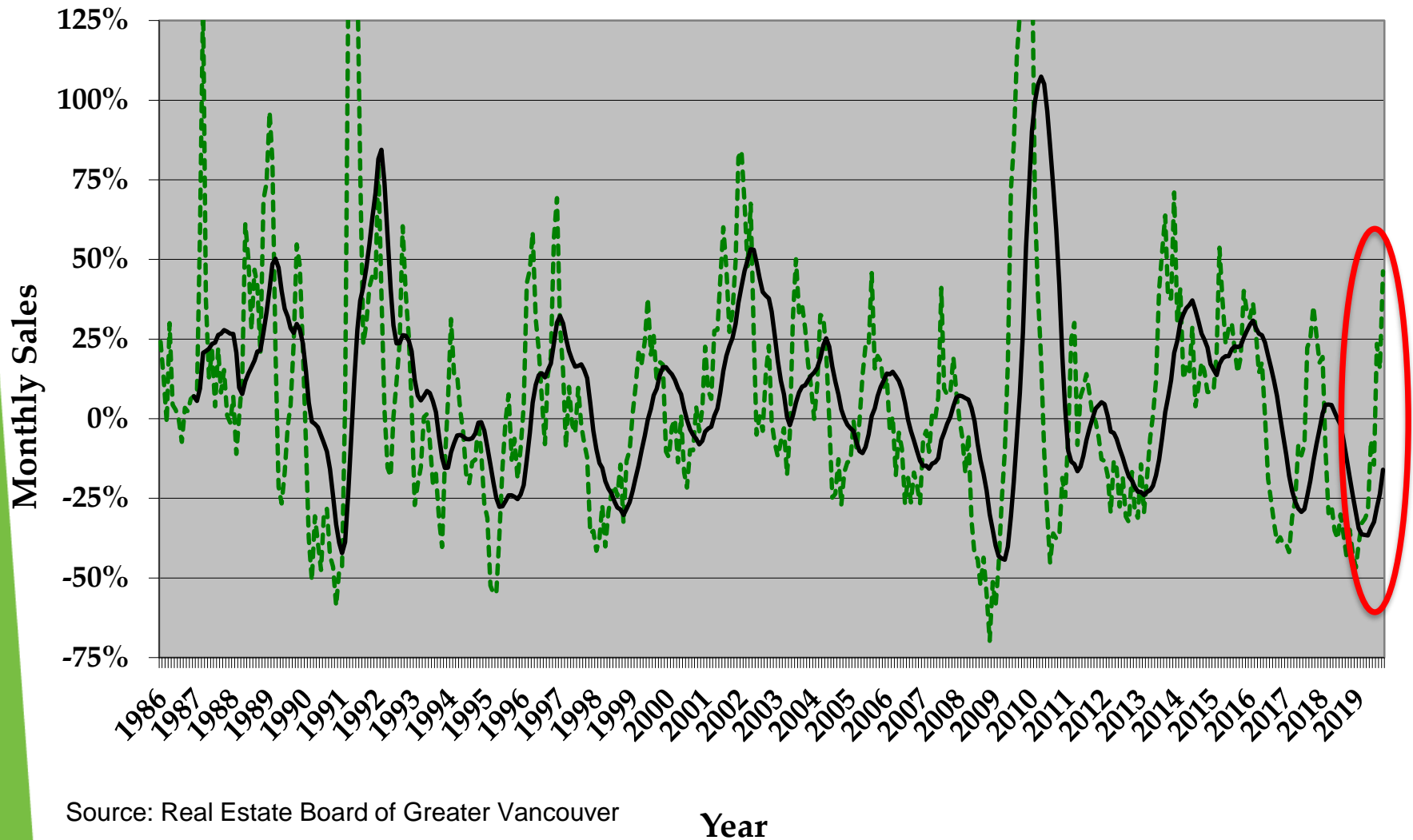
Recent Sales Numbers

Greater Vancouver - Total Sales



Source: Real Estate Board of Greater Vancouver

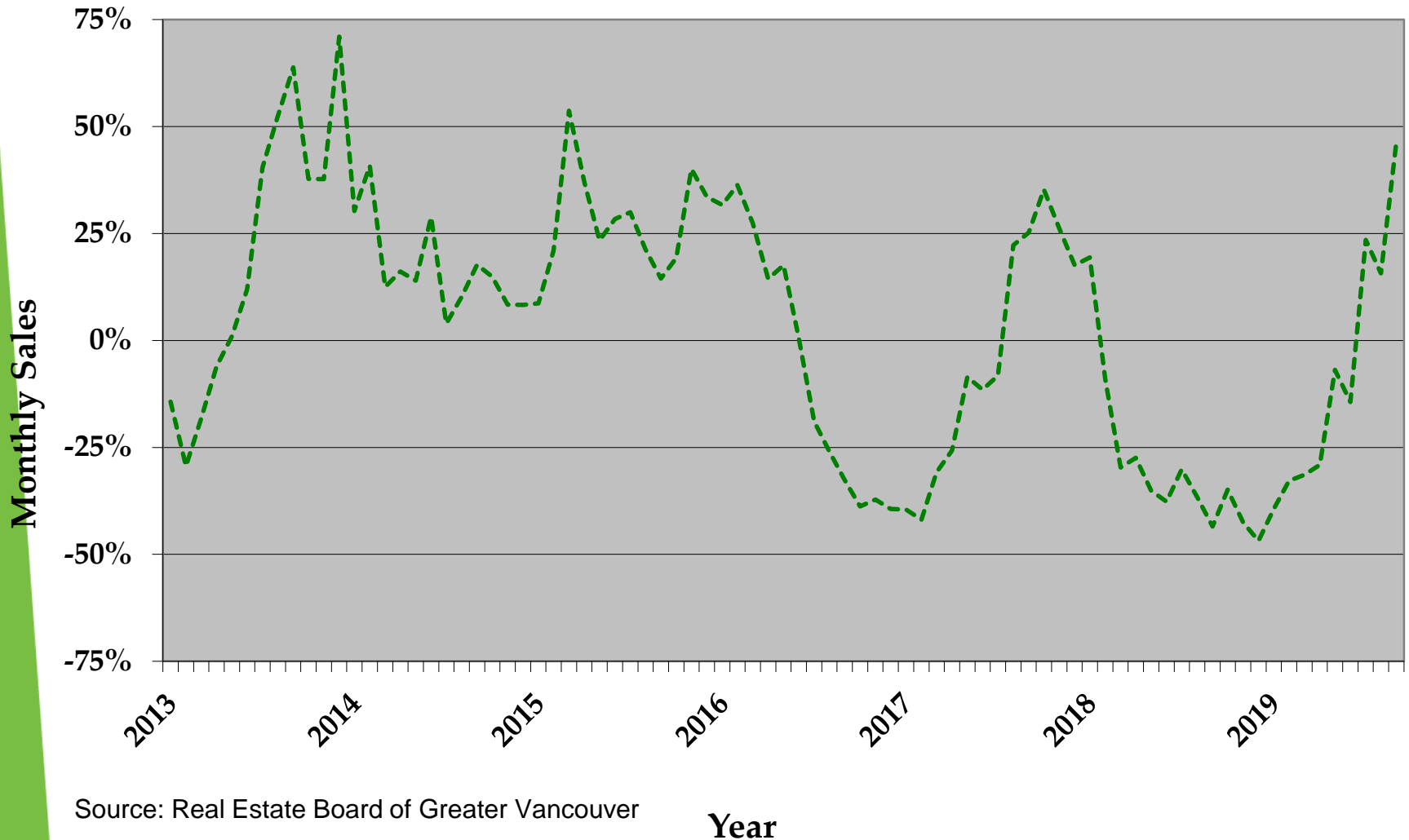
Greater Vancouver - Historic Sales Growth



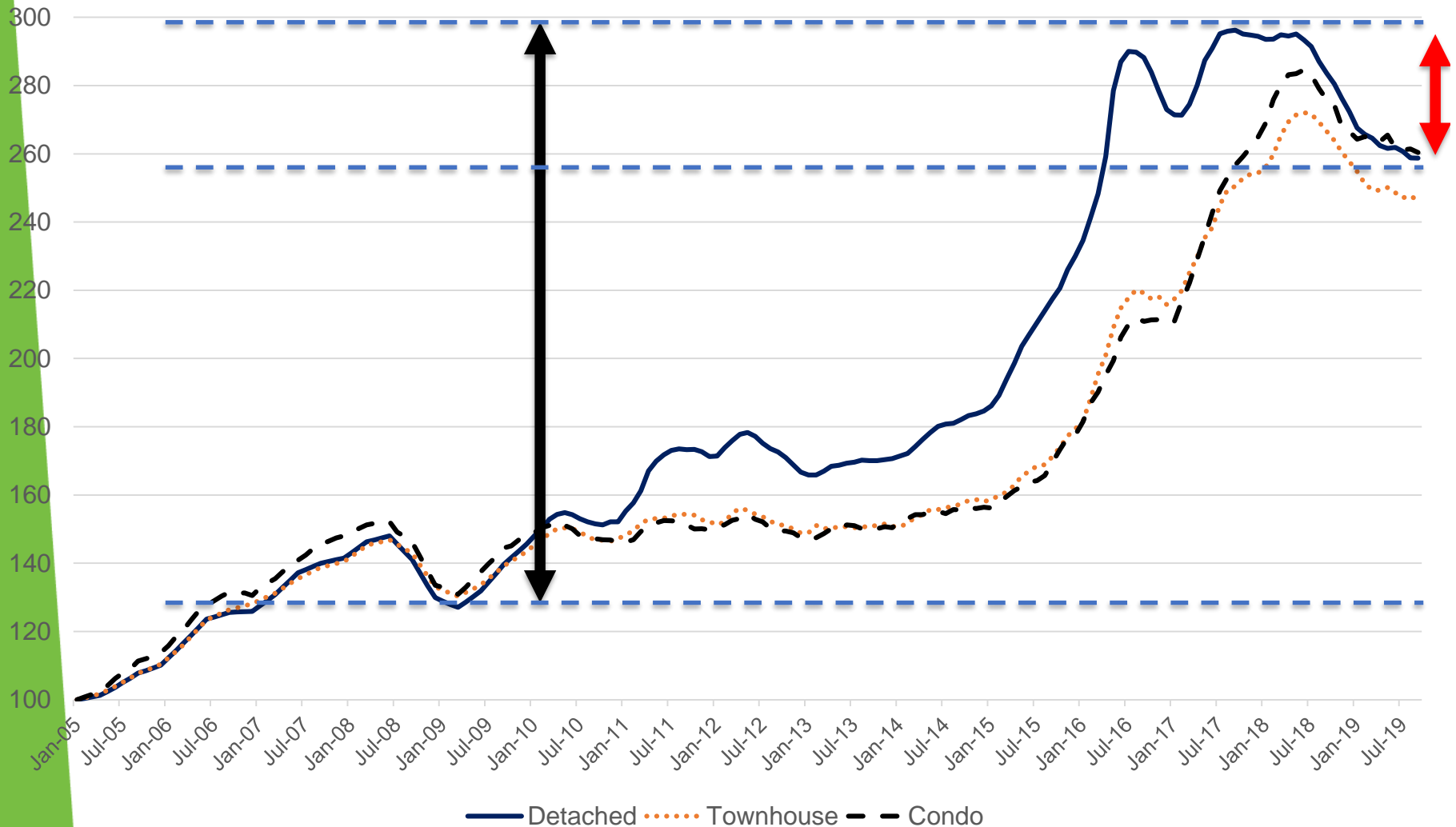
Source: Real Estate Board of Greater Vancouver

Year

Recent Sales Growth - Greater Vancouver



Greater Vancouver - House Price Index



Source: Real Estate Board of Greater Vancouver

Where We Are

- Market Activity
 - In recovery
 - Price stabilization lagging sales uptick (typical)
- Ownership Affordability
 - Improvement (Price ↓ , Incomes ↑)
 - Still not affordable
- Renter Affordability
 - Vacancy rate still below 1%
 - Rents still rising (unlike prices did not fall)
 - Some help from vacancy tax

Federal Policies

- Goal - reduce financial system risk
- Approaches
 - Reduce amortization
 - Limit mortgage insurance access
 - forces larger downpayments
 - Stress test
 - Limits borrowing - payment to income based on higher interest rate

Why This Matters

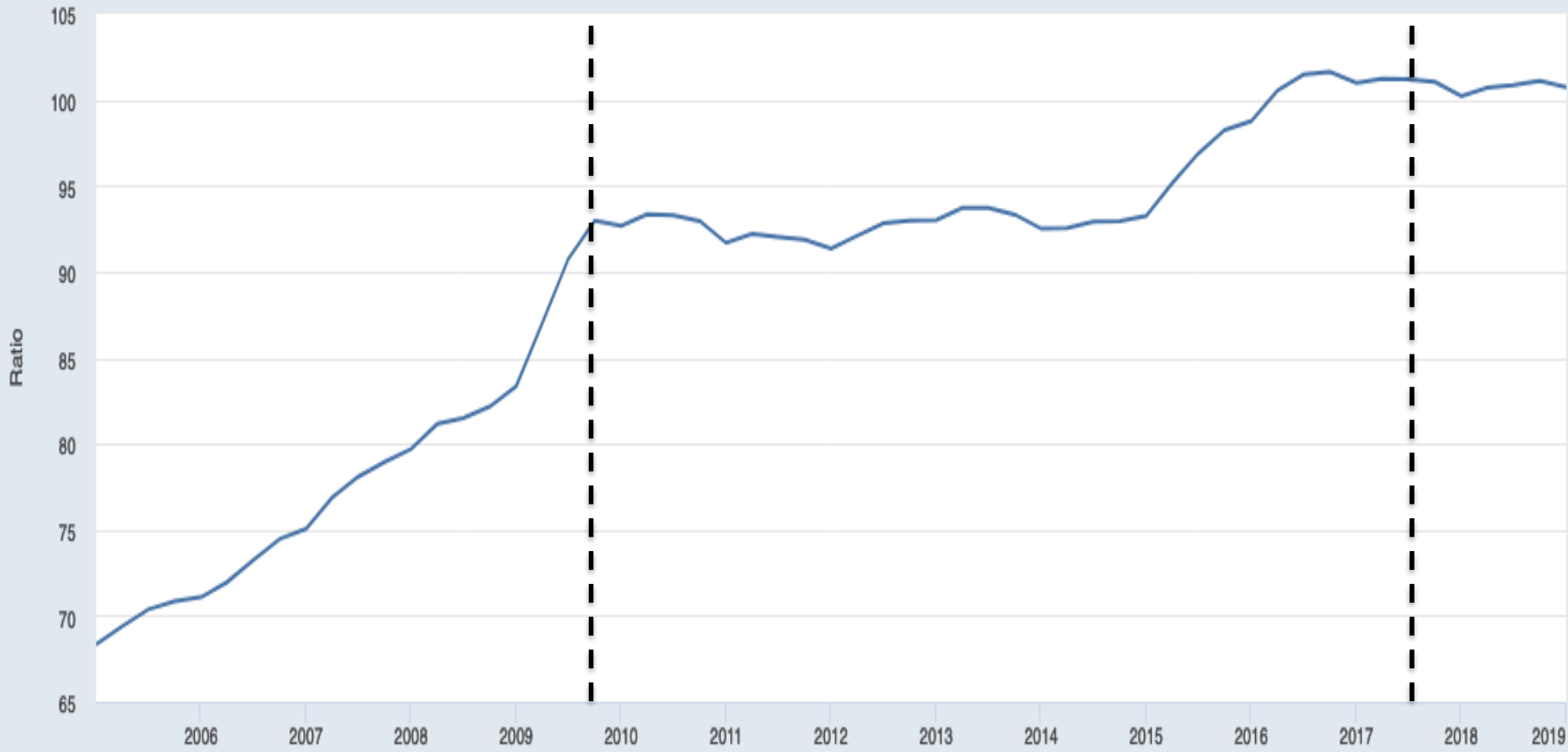
- Sources of stress
 - Rising interest rates - refinance = higher debt payments
 - Economic stress - lower disposable income
- Why the government cares
 - Default - insured mortgages are govt risk
 - Financial system externalities
 - Households respond by reducing consumption
 - Macro economic risk from lower household consumption

Timeline

- October 15, 2008 - Insured mortgages
 - Drop amortization to 30 years & lower max LTV
- April 19, 2010
 - Stress test for insured borrowers
- March 18, 2011
 - Reduce amortization to 30 years
- July 9, 2012
 - Reduce amortization to 25 years
 - No MI for properties > \$1M
- 2012-2016 Multiple other policies
- Jan 2018, OSFI Guideline B-20
 - Stress test extended to uninsured downpayment > 20% loans

Motivation: Household Debt to GDP With Stress Tests Dates

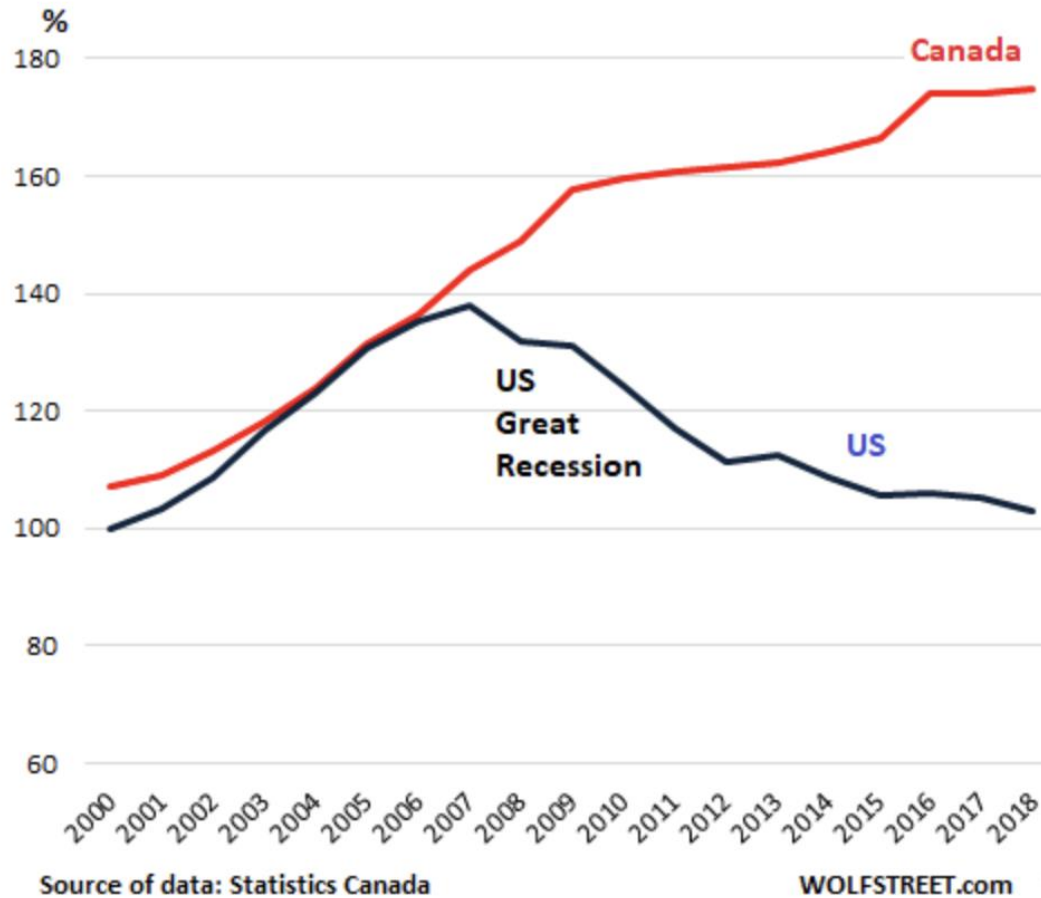
FRED  Household Debt to GDP for Canada



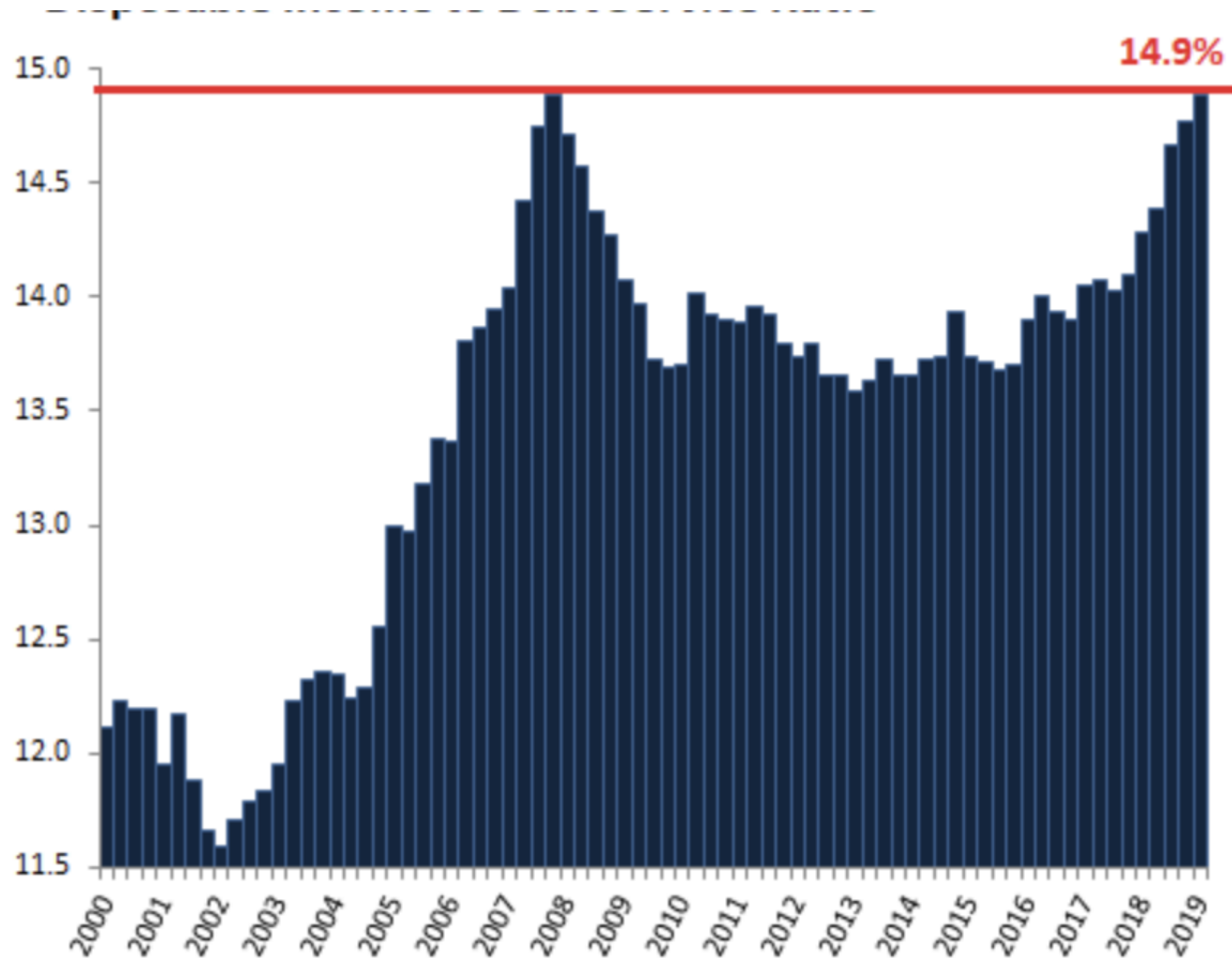
Source: International Monetary Fund

fred.stlouisfed.org

Household Debt to Disposable Income



Ratio: Debt Service to Disposable Income



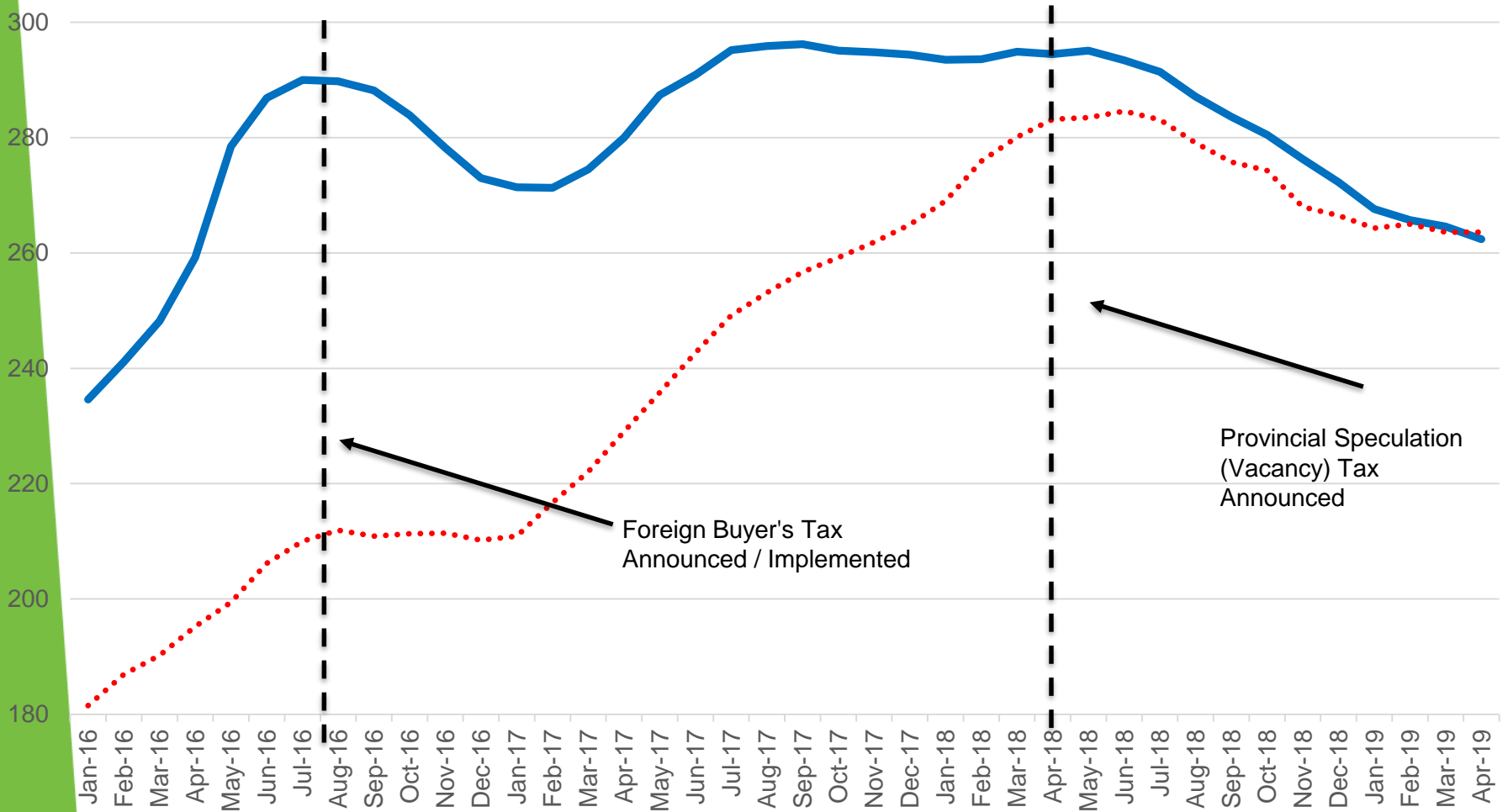
Source of data: Statistics Canada

WOLFSTREET.com

Provincial & Local Policies

- Policies
 - Foreign capital inflow
 - Distortion between asset price and local incomes
 - REQUIRES constraints on new supply
 - Housing occupancy
 - Empty homes / speculation tax
 - AirBnB - short term rental restrictions (Vancouver)
- Objectives
 - Reduce demand to own assets
 - Increasing households occupying existing stock

Policies and Greater Vancouver House Prices



Source: Real Estate Board of Greater Vancouver

— Detached Condo

Single Family Detached Price Change July 2016 - Sept 2019

Lower Mainland	-4.3%
Greater Vancouver	-10.8%
Burnaby East	-7.2%
Burnaby North	-16.2%
Burnaby South	-14.7%
Coquitlam	-5.7%
Maple Ridge	14.5%
New Westminister	-6.1%
North Vancouver	-14.8%
Port Coquitlam	-1.2%
Port Moody	0.8%
Richmond	-16.9%
Tsawwassen	-10.6%
Vancouver East	-10.5%
Vancouver West	-19.5%
West Vancouver	-25.7%
Fraser Valley	7.8%

Sources: Real Estate Board of Greater Vancouver, Fraser Valley Real Estate Board

What We Know

- Foreign Buyer's tax
 - Steep drop in number of registered foreign buyers
- City of Vancouver Empty Homes Tax
 - Decline in number of reported empty homes
 - Sale to previously empty homes
 - Some switched to rental

Empty Homes Tax Incidence

2017 EHT Vacant and Exempt Properties

(7,923 total - shown as percentage of total/number of properties)

Properties that are vacant or exempt

