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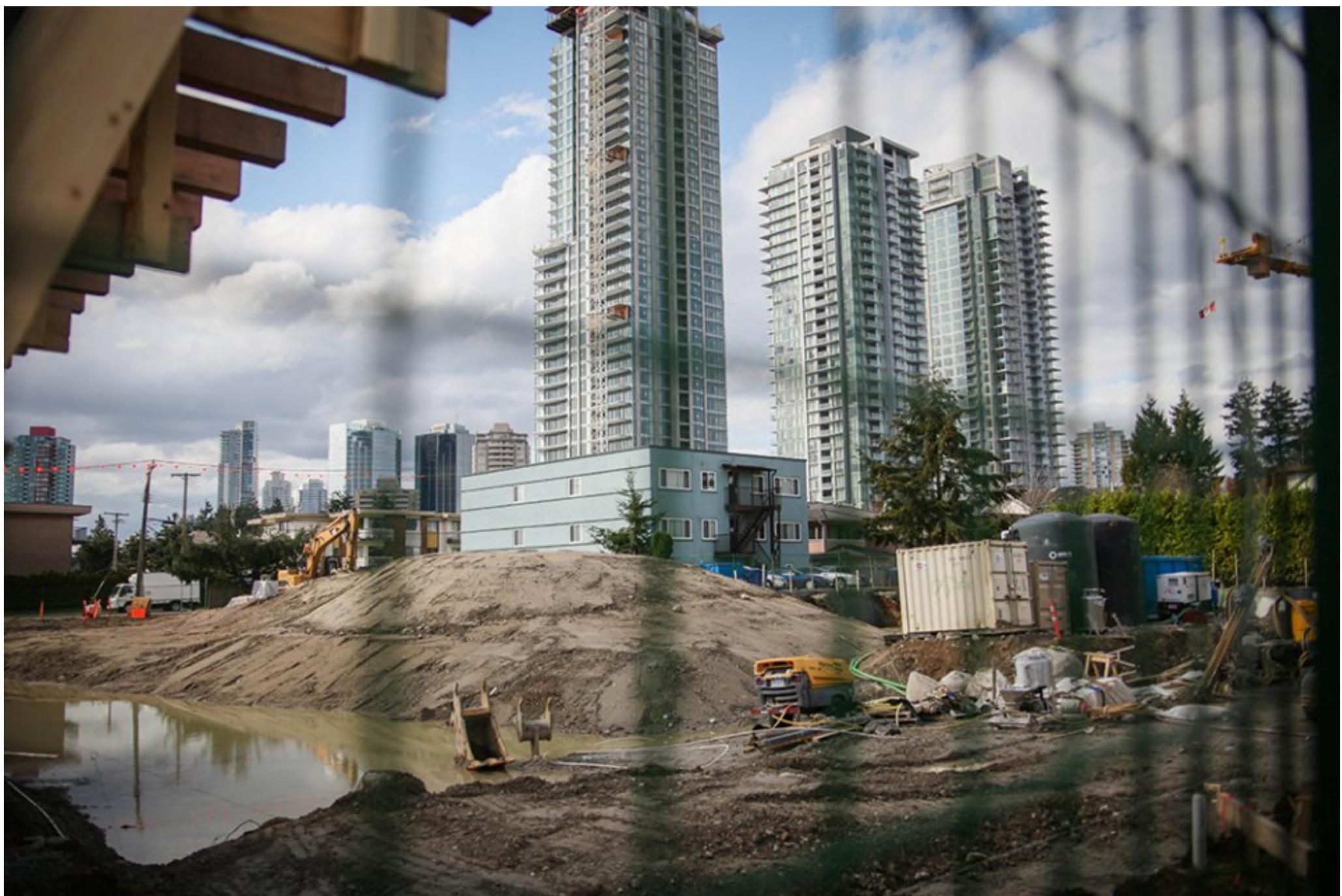
Nine Things the Real Estate Industry Doesn't Want You to Know

Key takeaways from a six-month Tyee investigation.



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Real estate is at the centre of a massive realignment between our society's rich and poor. Photo by Christopher Cheung.

You've heard it a million times. The reason so few of us can afford Vancouver is because there aren't enough new homes being built. This is the version of reality that real estate industry leaders and their political allies want us to

believe.

But an investigation of the industry by The Tyee has revealed reality to be much more complex. Over the past six months I spoke at length with financial analysts, economists, industry consultants, realtors and many others to learn the true causes of Vancouver's housing crisis and who is profiting from it. They were in broad agreement that real estate is at the centre of a massive realignment between our society's rich and poor — and one that few leaders in the industry seem willing to publicly acknowledge. Here are the key takeaways from those conversations.

1. The industry no longer sells homes — it sells investments

Real estate has historically been a local industry. The people who buy and sell a city's homes tended to live in that city. Yet that all began to change a decade or so ago. And one of the major reasons for it is a big shift in our global financial system. It's a complicated subject. But what you need to know is that the global capital investors use to invest in things is growing much faster than the actual economy. There is so much capital, investors don't know what to do with it all. Desperate for quick financial returns, many investors are pouring this capital into real estate, turning local markets into global investment opportunities. One of the results, according to trackers

such as Bain &

Company, is “skyrocketing home prices.”

2. Wealthy people are profiting from the housing crisis

The explosion of global capital coincided with an explosion of global wealth. Worldwide, the number of people worth \$30 million or more has grown 60 per cent in the last 10 years. These elites have a different relationship to real estate than regular people. High housing prices aren't a hindrance to the ultra-rich. The pricier homes become, the more desirable they are as a marker of social status. That's why one top investor not long ago compared Vancouver condos to contemporary art. Rich people are less likely than the rest of us to live in the homes they purchase. A poll done by the group Knight Frank suggested the most popular reason rich people acquire real estate “is as an investment to sell in the future.” Which means they profit

when

prices rise.

3. Rapidly rising house prices are deepening class divides

Unaffordable homes are not just a drag on people's incomes. The housing crisis is doing lasting damage to social mobility. If you are hoping to improve your income, your best bet these days is to live in — or relocate to — a large, globally connected city. Over 90 per cent of new jobs in Canada over the past several years were created in just three such cities: Vancouver, Toronto and Montreal. And of those, Vancouver has Canada's fastest growing economy. But housing is so pricey that those opportunities are denied to many people. One real estate economist worries

that “we are driving a very large wedge between the lowest income earners and the highest income earners.”

4. Industry leaders are convinced the middle class is dying

The real estate industry is aware social mobility is declining. Its leaders know there is huge demand for cheaper homes. But they prefer to profit from income inequality rather than doing anything about it. That's one takeaway from a major real estate industry trends report produced by PwC and the Urban Land Institute. “The middle class has been hollowing out,” it concluded. With land prices going up in big cities, the industry is increasingly focused

on building luxury homes for wealthy people. Not everyone thinks it's a wise strategy. “Time will tell if that's going to come back to haunt us,” said one CEO. “Not everybody makes \$75,000 to \$100,000 a year.”

5. Your intimate data is being used to drive home sales

Even if you don't earn much money, you can still be valuable to the real estate industry as a source of data. It's likely not news to you that almost everything you do online — and off — is tracked and sold to advertisers. But what is new is that the real estate industry is now trying

to get in on the action.

Companies are creating technology that mines public records and notifies realtors when a potential client gives birth, declares bankruptcy or files for divorce. Industry forecaster Swanepoel predicts “this technology will be huge.” But at what cost to privacy? Or our right to control our identities? “I don't think anybody has the answer,” said one observer.

6. Political leaders aren't telling the full story about housing

What we can be certain of is that politicians aren't telling the full story about the true causes of unaffordability. British Columbia Premier Christy Clark has argued “the only way to really solve” the housing crisis is to build more condos. And during the provincial election, her BC Liberals took any chance they could to blame the red tape and protesters they claim are standing in the way. Yet the majority of new condo units are sold

to

speculators. More supply isn't helping locals. The market does what it knows best: maximizing profits. Which is why industry insiders like Richard Wozny argue the “only group at fault are politicians” — those who know what the problem is but refuse to fix it.

7. Local speculators are cashing in while we blame foreigners

The most substantial step the BC Liberals took towards fixing Vancouver's housing crisis was the 15 per cent Foreign Buyers Tax. At first the tax seemed to work: home sales and prices fell. But prices are once again rising. And this time transactions involving overseas buyers are at relative lows. “Everything we see suggests that there is a whole lot more domestic investment activity in the real estate sector than foreign investment,” said the head of Canada Mortgage and Housing Corp. Foreign money is a big cause of crazy home prices. But so are Canada's historically low interest rates

, which make it “almost stupid to not buy property,” argued the site Better Dwelling.

8. Income inequality is causing a boom in luxury retail

Real estate has become a zero-sum game in Vancouver. Those at the top are doing better than ever, while everyone else struggles. It’s a fair assessment of our wider economy. Recent data from Stats Canada showed that average Canadian incomes have stopped increasing. Yet the ranks of the ultra-rich in Canada are growing faster than in the U.S. — between 2006 and 2016, the number of people worth over \$30 million rose 50 per cent in this country. These elites want to flaunt their wealth. And the boom of luxury retailers

across the country is happy to oblige them. “High-end retail will prosper as the high-end population does well,” noted one real estate analyst.

9. People within the industry want serious solutions

What the May provincial election showed is that people across the province, but particularly in urban regions, want serious change. They are sick of being priced out of their cities. They’re fed up with an economy that privileges the wealthy. And they’re tired of being lied to. The NDP-Green coalition now has an opportunity to make things better. Leaders of the two parties promised housing policies that “will have an impact,” local realtor Steve Saretsky told

The Tyee. He is one of many people within the real estate industry who supports solutions to our current housing crisis. “A lot of realtors I’ve spoken with want some sanity to the market,” he noted. “They know it isn’t sustainable.” 🙄