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OPINION

House prices are going bonkers again. Where is the outrage?



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Homes are pictured in Vancouver on April 16, 2019.

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Even by Vancouver's ridiculous standards, it seems absurd. A home on the east side of Vancouver selling for \$872,134 over asking?

But that's what happened late last month. The house, listed for \$1.72-million, went for \$2.6-million after nine days on the market. And while that transaction seems shocking, it actually seems to be part of a trend. Homes going for a half-million dollars or more than the list price isn't uncommon these days. Sales of places getting snapped up in 24 hours amid multiple offers aren't unique either.

And it's not just happening in Vancouver. It is a phenomenon taking place, to varying degrees, across the country.

It's almost like it's 2016 again – except, strangely, without all the anger and outrage.

You remember this period, don't you? When foreign investors were blamed for driving prices beyond the grasp of young Canadians? When governments were forced into action to quell the anger of a citizenry furious that so many of our young people were apparently having their middle-class dreams crushed by mercenary investors from China?

Well those investors have, for the most part, been deterred from returning, but the market is no more accessible to Canada's young home buyers. Which would suggest we all think an insane housing market is just fine – as long as it's homegrown Canadians (and domestic monetary policy) that are responsible for it.

According to the Canadian Real Estate Association, January marked an all-time record in home sales across the country, with actual average sale prices increasing 22.8 per cent from a year earlier.

Vancouver also recently maintained its spot in Demographia International's latest Housing Affordability Survey as the second-most expensive housing market in the world, following Hong Kong. Median property values rose to 13 times the household income in 2020, compared with 11.9 per cent in 2019, according to a report from the Urban Reform Institute and Frontier Centre for Public Policy.

There now seems little doubt that the Bank of Canada's decision to keep interest rates low to help a pandemic-battered economy stay alive may have had unintended consequences.

Bank Governor Tiff Macklem himself recently alluded to what he called “excess exuberance” in the market, and suggested low interest rates were likely the reason. He promised to keep an eye on things. Well, we're glad he's on it.

Still, my question is: Where is all the fury? Surely, these insane prices are locking out tens of thousands of potential home buyers, no? People from whom dreams are being robbed anew?

Josh Gordon, a professor at Simon Fraser University's (SFU) School of Public Policy, said there are likely a few reasons why this housing frenzy isn't accompanied by the same degree of protest. While low interest rates are fueling demand, he said, those same rates also mean price increases aren't being felt as acutely. He also believes that the massive amounts of foreign capital

we saw in the 2016 house price era created a sense there was a one-sided competition in the marketplace. That has since been allayed.

“With that dynamic less prominent, the sense of unfairness is less pronounced and hence anger is mitigated,” he said.

Andy Yan, the director of the city program at SFU, says millennials – who now comprise the largest population of Canadians – are driving the market. Some are settling down and starting families and the oldest among the cohort are now 40. Many have excellent-paying jobs and have saved a ton during the pandemic. “What we still don’t know is how much of this demand is first-time buyers versus those who are moving up the property ladder,” he said.

Another factor could be a lack of single-family detached homes, which are in high demand right now because of a pandemic that has incited a craving for more space and privacy. COVID-19, however, has simultaneously made many older Canadians reluctant to give up what they have to move into something that resembles a seniors’ complex, particularly given the disturbing images they have conjured **seen** over the past year.

Meantime, new supply is coming on stream, including townhomes that were seen as the “missing middle” of the market a few years ago. Build more of that kind of density, developers had promised, and that would be the end of these massive price surges.

Right. Townhome projects are going up all over the place in Vancouver, with modest 1,100-square-foot units starting at \$1.5-million and rising quickly from there. That they were ever going to solve housing affordability in our major cities was always a cruel joke.

So utter madness has returned to the housing market. Who could have imagined a pandemic would fuel it?

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