Half of Vancouver homeowners are mortgage-free, data shows

KERRY GOLD
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Vancouver residents are grappling with the highest real estate prices in Canada, and yet the city has the highest percentage of households without mortgages.

It's also a region with a huge appetite for investment properties, according to new data released by Statistics Canada.

Half of Vancouver owner households are mortgage-free, according to census analysis provided by Andy Yan, director of Simon Fraser University's City Program, registered urban planner and adjunct professor in urban studies.

"Housing in B.C. and other parts of Canada is a story of both abundance and famine," he said of the new data. "This data highlights how some are home free, while others are locked out of the housing market. It's a story of haves, have-nots and have-mores."

Prof. Yan analyzed cities with populations of more than 100,000 residents and those households making mortgage and loan payments. In Saanich, on Vancouver Island, 47 per cent are mortgage-free. In Burnaby and Richmond, 45 per cent own their homes without a mortgage. In B.C., Surrey had the most mortgages, with only 32 per cent mortgage free. Langley had a high number of mortgages as well, with 35 per cent owning without a mortgage.

The most mortgaged city in Canada is Milton, Ont., with only 21 per cent without mortgages. Kelowna is at 42 per cent. Toronto ranked ninth on the list, with 43 per cent of households mortgage free. And Calgary was down at 40th on the list, with 35 per cent living without mortgage debt, according to Prof. Yan.

He also drilled into each Vancouver neighbourhood to see which ones which ones held the fewest mortgages. Perhaps not surprisingly, they tended to be the city's most expensive areas. At the top of the list is Oakridge, where 64 per cent are mortgage free. The top five includes Kerrisdale, West Point Grey, Arbutus Ridge and Shaughnessy, all under 61 per cent. Dunbar-Southlands is at 59 per cent.

Flipped around, the neighbourhoods with households still paying off their homes include downtown and Grandview-Woodland, where 60 per cent of households have a mortgage. The highest rate of mortgaged households is in Mount Pleasant and Strathcona, where 69 per cent are making the payments.

Mortgage payment refers to whether an owner of a household makes regular mortgage or loan payments for their dwelling, as defined by Statscan.

Elton Ash, executive vice-president of Re/Max Canada, said many Canadians paid down housing debt in the last couple of years.

"The thing that occurred during COVID is that a lot of Canadians took the opportunity to pay down their mortgages with their prepayment options that they had with the fixed mortgages," said Mr. Ash, who is based in B.C.

"The Lower Mainland is the strongest market in the country for equity."

Re/Max recently released its 2023 Canada Housing Barometer Report and looked at average price and new mortgage values released by CMHC and Equifax Canada. It found that loan-to-value ratios in the last decade had declined in 67 per cent of the major markets. The ratio compares household mortgage against the actual value of the home. The lower the percentage, the more of the home that the borrower owns. The lowest ratios were found in the highest priced markets, including Vancouver at 50 per cent.

Reasons for lower LTV in Vancouver and Toronto are obviously the strong equity gains in those markets from 2012 to 2022, the study period.

“We are equity wealthy,” Mr. Ash said. “It’s because of our conservative nature as Canadians. We love equity.”

And a major share of that equity is being transferred to adult children.

“The other thing is the bank of mom and dad, which is alive and well in Canada.”

That’s not to say everyone is safe from market volatility, adds Mr. Ash.

“The flipside of these increasing interest rates, is that a number of Canadians did stay with a variable rate mortgages rather than lock in, and that has come back to haunt them somewhat.

“There is always a segment, naturally, that if prices dropped 10 to 15 per cent, they might well be underwater if they went in at a high [loan-to-value] ratio, but that’s a huge minority compared to the balance of the market.”

Mr. Ash said he knew of homeowners who’d used the loans to purchase investment properties, and those investors were now feeling the pinch of a higher rate. Those investors, however, have the benefit of rising rental rates, he said.

Last week, the Canadian Housing Statistics Program released data that looked directly at investor owners for the first time, in a release called Investment Status of Residential Properties. In the past, the CHSP, a Statistics Canada initiative, had only looked at owners of multiple properties.

“Now we are looking at people who own more than one property but also non-residents, people who live outside the province and have a property in another provinces, and also businesses, too,” said Joanie Fontaine, senior analyst for Statscan, and co-author of the report with senior analyst Josh Gordon.

“So there are many more people included in the category.”

Investor-owned properties are of particular interest to policy-makers for a few reasons. They can provide rental housing, but they also limit housing available for buyers of primary residences, said the report. As well, a U.S. study found that an increase in investor-owned properties in a given market led to higher prices.

Census 2021 data showed households who owned their own home in Canada had fallen from 69 to 66.5 per cent in a 10-year period.

In B.C., 23.3 per cent of property owners, or one in five, are investors. And 9.6 per cent are investor-occupants, people who own a property with multiple units, and who live in it, such as a house with a basement suite. By far, B.C. has the highest percentage of investor-occupants compared to Manitoba, Ontario, New Brunswick and Nova Scotia, the other provinces studied. That's because of the comparatively high percentage of houses that contain suites, as well as laneway houses.

B.C. also has the highest rate of investor-owned condos by non-residents, at 7 per cent. Business investors – whether a small numbered company or a REIT – represent 8.6 per cent of B.C.'s condo stock.

The rate of investor ownership went up with the newness of the housing. Nearly half of condo apartments built since 2016 in B.C. were investor owned. Investors tend to favour newly built condos in other provinces too, according to Ms. Fontaine.

As for Vancouver, the data showed 32.5 per cent of houses and apartments are used as investments, with an overall rate of 21.3 per cent for the region. Around UBC campus, which is a separate census subdivision, 42 per cent of houses and condos are investment properties. The area also has the highest non-resident ownership for the region, at 14.9 per cent. Non-resident is defined as a person who doesn't live in Canada but may or may not hold citizenship.

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Prof. Yan found in the CHSP data that 49 per cent of Vancouver's condo stock is investor owned. As well, he found that 47 per cent of all new properties built since 2016 are investor owned, also in the city of Vancouver.

Investors may play a key role in defining what kind of housing gets built, he says.

An investor is defined as someone that owns at least one property not used as their primary residence. The data did not include numbers for neighbourhoods.

Ms. Fontaine said they are working on another data set that examines how long investors own properties, and they will also look at shifts in ownership, such as whether investment properties stay investment properties or become owner-occupied residences.

Mr. Gordon said that type of analysis would be undertaken as they move on to the 2021 data.

"And then we will be able to move forward from there, and have some indication of the movement of investment properties to non-investment properties, and vice versa," he said.

Prof. Yan said the prevalence of investor-owned housing shows a tension between two worlds and the need for policy to address it.

"What and where does the market build for households in search of a first home, while others are looking for their next investment?"