

Ripple Effects from Price Increases in the Vancouver Housing Market

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Community Partner/s	Andy Yan Consulting; Association of Neighbourhood Houses of BC

1. Rationale

In Vancouver the cost and availability of housing comprise both a chronic and an acute issue in the ownership and the rental market. This project addresses house price changes in the ownership market for detached homes, where prices have risen steadily since the late 1980s (Head & Lloyd-Ellis 2014; Ley 2015)¹. The Real Estate Board identified a price rise of 37% for detached houses in Greater Vancouver for the past 12 months (and 60% over the past 3 years), giving an average metropolitan benchmark price – a price excluding outliers – of \$1.5 million in May 2016 (\$890,000 for all residential units). Surveys show housing has become the leading public concern in the metropolitan area, with significantly negative outcomes in affordability, mortgage debt, and difficulties in labour recruitment. Prices are arguably driven in part by the growing demand at the high-end of the market (Walks 2014)². Being a gateway city for foreign investment and buyers heavily involved in commodified housing assets (Ley & Tutchener 2001; Moos and Skaburskis 2010)³, Vancouver's inflating prices have become uncoupled from the regional labour market, leading to serious levels of housing stress.

There is considerable evidence from local studies and real estate company disclosure that off-shore investment is concentrated at the top end of the market, in the westside neighbourhoods in Vancouver, and the suburb of West Vancouver, with benchmark prices for detached houses of \$3.4 and \$3.1 million respectively in May 2016. What is the relationship of these very high-priced districts with the rest of the metropolitan housing market? Are they sequestered local submarkets, as some would claim, or are they the epicentre of price change that moves outward through much of the market? To what extent is there a ripple effect as demand is displaced from high-priced to cheaper areas, and prices diffuse through different neighbourhoods? The purpose of our research project is to examine these diffusion patterns in the Vancouver housing market paying specific attention to the character of systemic change ('contagious' ripple effect vs. hierarchical transmission, and the role of barriers, such as land use, lot size or demographic composition). Second, we plan to consider effects in those areas which respond most quickly to price impulses, in terms of population turnover and other indications of social cohesion.

2. Rationale & Potential Policy Relevance

As affordability and access to housing are serious problems in Vancouver, this study will have policy relevance in bringing attention to the spatial distribution of price increases across neighbourhoods and factors affecting them. Our hypothesis that prices diffuse from high-cost epicentres throughout the market contributes directly to a current political controversy.

¹ Head, A., & Lloyd-Ellis, H. (2014). *Has House Price Growth in Canadian Cities been Excessive?* Queen's Economics Department Working Paper (No. 1331). Ley, D. (2015) Global China and the making of Vancouver's residential property market. *International Journal of Housing Policy* DOI December.

² Walks, A. (2014). Canada's housing bubble story: Mortgage securitization, the state, and the global financial crisis. *International Journal of Urban and Regional Research*, 38(1), 256-284.

³ Ley, D., & Tutchener, J. (2001). Immigration, globalisation and house prices in Canada's gateway cities. *Housing Studies*, 16(2), 199-223. Moos, M. and Skaburskis, A. (2010) The globalization of urban housing markets: Immigration and changing housing demand in Vancouver. *Urban Geography*. 31(6), 724-749.

3. Research Questions

- 1) How do price increases move through the Vancouver housing market? Is the 'contagious' ripple effect or hierarchical transmission more prominent?
- 2) What factors drive housing price changes at the neighbourhood scale in Vancouver? What role does the top end of the market play? Are there discernible barriers that weaken price impulses?
- 3) Which areas are increasing in price most rapidly? Are higher and lower-priced areas moving further apart, or is there a cycle where lower-priced areas narrow the gap as increases slow in higher-priced areas?
- 4) What are the implications for local social cohesion of rapid neighbourhood price changes?

4. Specific Fit with the NCRP Objectives & Research Questions

This project will enhance the understanding of neighbourhood change processes in relation to changing real estate values in the city of Vancouver. In an age when Thomas Piketty and others have noted that property ownership is a major predictor of wealth accumulation, the scale of local house price inflation is also an indicator of growing neighbourhood inequality. The mapping and data analysis conducted as part of the study will contribute another perspective to socio-spatial polarization in Vancouver, measured by access to housing and affordability in light of the diffusion of price changes. Finally, the study of spatial price diffusion intersects with an evaluation of existing policies that affect current housing price dynamics, and the results of the study will inform current policy controversies.

5. Research Design & Methods

The research methodology will consist of two key parts: a quantitative analysis of Vancouver's housing market dynamics and a more in-depth qualitative study involving interviews.

The **quantitative** part will be based on data from several statistical sources including BC's residential property assessment data and secondary sources such as Greater Vancouver Real-Estate Board monthly data, the Census, and CMHC data bases. Andy Yan with Bing Thom Architects has produced maps from the assessment data on an ongoing basis from 2006 to 2016. These maps require conversion from biennial snapshots to change over five 2-year intervals. It is important to identify where prices increase most rapidly and to analyze whether they affect neighbouring blocks first or whether there are several more or less independent clusters with distinctive characteristics that drive prices upwards. We anticipate some correlation analysis of change from base data in the 2006, and possibly, the 2011 Census. Conclusions will be drawn from analytical statistical work as well as the creation and visual analysis of maps.

The **qualitative** part of this research study will involve interviewing professionals in the real-estate sector and community leaders who have local knowledge of neighbourhood price change 'hot spots' to identify their understanding of price dynamics on the neighbourhood level and its local effects. At the outset we anticipate undertaking a total of 30 interviews, divided between two price hot spots. This will complement the quantitative results and contribute to fuller understanding of the contexts of price increases in Vancouver.

6. Role of Community Partner/s

The key data are land assessment values for 2006-2016 for the City of Vancouver, available in open access from the City. The data have been extracted, cleaned, and assembled by Andy Yan Consulting to create a series of snap shots of assessed values at two-year intervals that have attracted much public and media attention. Mr. Yan will provide some assistance in transferring the data to maps of change in assessed values at 2-year intervals. He will be a continuing advisor and a co-author of any publications from this study.

The Association of Neighbourhood Houses of BC has a new research focus on rapid neighbourhood change and community resilience. ANHBC will work with Ms. Grigoryeva to select appropriate neighbourhoods for interview, and identify key local issues and community leaders.

7. Role of Students / Research Assistants and Contributions to Training

The co-investigator is an MA student participating in this research project as her Master's thesis. The study is designed to utilize the co-investigator's background knowledge in statistical analysis while also contributing to her training in mapping and other GIS analysis, as well as in qualitative interviews. The project will be beneficial for her skill set and research experience. The project will conclude with the student making a conference presentation, and participating in any publications that emerge.

8. Schedule (timeline of research tasks, including deliverables submission dates)

July 2016	extended review of academic and media articles, and consultants' reports, conducting primary data analysis, preparing the dataset for mapping, finishing the first ethics review application
October 2016	creating original maps displaying spatial price increases, preparation for interview stage
Nov-Dec 2016	start the interviews
March 2017	final interviews, first paper draft
April 5-9, 2017	conference presentation (AAG 2017)
April 2017	UBC Geography Symposium presentation, final paper draft
Summer 2017	complete thesis, submit article for publication

9. Outcomes / Deliverables

Academic deliverables: conference presentation, a working paper (leading to the MA thesis by the co-investigator), an academic article.

Community deliverables: media interviews, community presentations.

10. Budget Explanation

The estimated budget of \$9,100 includes:

- RA salary for the co-investigator (MA student) over a period of six (6) months,
- Local travel expenses to conduct interviews
- International student travel expenses for conference presentation (AAG 2017 in Boston),
- Purchasing interview supplies.

No data costs are anticipated as the necessary data are available through open sources.

Interviewees (realtors and community leaders) will not be remunerated.

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| <input type="checkbox"/> Sent to the NCRP's Research Advisory Board for comment: date _____ deadline: _____
<input type="checkbox"/> Funding approved by the NCRP's Board: \$ _____ date _____ |
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SSHRC Budget Worksheet

	Amount requested from NCRP	Contributions (In-Kind / Cash)	Contribution source	Total Project Cost
Personnel costs				
Student salaries and benefits/Stipends				
Undergraduate *				
Masters *	\$9,000 (monthly stipend of \$1500 over 6 months for one student)			\$9,000
Doctorate *				
Non-student salaries and benefits/Stipends				
Postdoctoral				
Other				
Travel and subsistence costs				
Applicant/Team member(s)				
Canadian travel				
Foreign travel				
Students				
Canadian travel				
Foreign travel				
Other expenses				
Non-disposable equipment (specify)				
Professional / technical services (specify: includes partner staff time contributed to or paid for by project, translation, editing, etc.)				
		Maps/data	Andy Yan Consulting	
Other expenses (specify: includes honoraria, data purchase, field costs, printing, supplies, etc.)				
Interview supplies	100			100
Total	\$9,100			\$9,100

* Please indicate hourly rates for students and estimated number of students