Taxes, policies have cost homeowners billions

Loss of equity in Metro Vancouver cause for alarm, says Paul Sullivan.

Vancouver Sun · 21 May 2019 · Paul Sullivan is a senior partner at Burgess Cawley Sullivan and Associates, one of the largest commercial real estate appraisal and property tax consulting groups in Canada.

Today, at an event hosted by STEPUP, I released analysis that shows nearly $90 billion of estimated losses in homeowner equity across Metro Vancouver, largely driven by new federal and provincial government policies and taxes on homes.

This report is cause for alarm.

Our analysis uses sales data to determine an estimated loss of homeowner equity over the past year. It uses assessed values as a base to illustrate an estimate of total residential value before the downward market movement indicated by the actual sales transactions reported by the real estate boards of Greater Vancouver and the Fraser Valley.

Across the region, the grand total is a whopping $89.2 billion in lost equity. Percentage decreases range from a 4.76-per-cent drop in Pitt Meadows, to a 14.76-percent decrease in West Vancouver — the hardest hit municipality.

Per household, the equity loss is tens of thousands across the board, including $153,873 in Vancouver and $451,385 in West Vancouver.

These are not just numbers on paper, nor is it a problem for a few wealthy homeowners being targeted by specific taxes. This rapid loss has a real impact on families in all Metro Vancouver communities. Almost half of those billions in losses are outside Vancouver and West Vancouver.

Most of the time, home ownership is a worthy investment. Values change from year to year but generally increase over time, providing equity and hopefully some financial security for tough times and retirement.

We rely on the investment in our home for financial security now and in the future. Equity can be pulled out of your home to pay for things like unexpected emergency expenses, home renovations, post-secondary education and senior care costs.

For many people, diligent saving and paying down a mortgage is their retirement plan. Outside of a few sectors, guaranteed work retirement plans are a thing of the past. Once retirement and fixed income comes along, knowing that you have that equity gives you peace of mind, whether you choose to refinance, downsize or stay put with your grown children. And, of course, many seniors hope to leave a little something to their children.

A senior in Delta, for example, on a fixed monthly income facing a $67,000 loss in equity in one year faces much greater uncertainty about their future. Can they stay in their home? Can they afford the prescriptions and health care that they need?

And what if you haven’t been in your house for decades? Let’s think of a young family in Port Coquitlam who saved to put a 10-per-cent down payment on a $650,000 condo in 2018. But wait! You have lost 10 per cent in equity since you bought! You are now paying interest on a loan that exceeds the home’s value, with little to no equity to access should unexpected repairs be required.

Research from the B.C. Real Estate Association shows that the equity loss has a significant impact across the economy: local businesses, retail sales, workers and housing starts are affected. It makes sense, if you are suddenly facing economic uncertainty, you are going to immediately tighten your budget. Tough choices have to be made.

Real estate markets are complex and no single policy change can be attributed to the loss being felt by homeowners in Metro Vancouver. However, real estate, like most investment types, is impacted by perceived risk. Recent provincial government taxes on housing as well as the new federal stress test rules on mortgages have acted to create uncertainty and perceived risk in the local market, which has stalled new development and reduced many household’s ability to access funds for discretionary spending. This will have a broader negative impact on the economy that has yet to be felt.

The risk is just too great, and a serious threat to our economic well-being.