

Could ethical investing help ease Vancouver's affordability crisis?

UBC report suggests foreign investors could play a role in creating more affordable rentals

By Bethany Lindsay, [CBC News](#) Posted: Aug 06, 2017 8:00 AM PT Last Updated: Aug 06, 2017 8:00 AM PT

Wealthy foreign investors have taken heat for Vancouver's out-of-control real estate market, but now researchers suggest they could be part of the solution to the affordability crisis.

A new report from the University of British Columbia's Centre for Social Innovation and Impact Investing (S3I) sets out a few ways that socially responsible investment funds could create more affordable housing options in Vancouver and across the country.

One is to bring back the [much-criticized](#) Immigrant Investor Program, which was cancelled in 2014. That program gave well-off newcomers permanent resident status in exchange for a loan of \$800,000 to the Canadian government. The government paid back the loan to immigrants after five years.

That program was often criticized for contributing to skyrocketing real estate prices.

Immigrants to invest in housing

But this time around, the UBC report suggests that the program require wealthy immigrants to invest much more money, and all of it directly into affordable rental housing.

"We know that at least one of the drivers of increases in house prices is immigration," said S3I director James Tansey.

"If it's immigration driving it, then immigration should also be able to help solve the problem."

Under the scheme outlined in the report, each immigrant investor would be required to contribute at least \$1.5 million to support construction of affordable housing. If investor immigration returned to B.C. at the same levels seen in 2012, that could bring in about \$4 billion in one year.

Affordability crisis

Immigrant investors are just one possible source of cash outlined in the report, which argues that new taxes and government rental assistance have done little to ease the affordability crisis. Meanwhile, there is very little incentive in Canada for developers or ethically-minded investors to put money into affordable rental stock, it adds.

A recent study out of the University of Toronto, for example, suggested that a developer would need to charge rents of \$2,200 per month to generate reasonable returns.

But in B.C., the most a low-income family could afford to pay is about \$930 per month, according to the UBC report, and rents in Vancouver's newest rental buildings exceed that by leaps and bounds.

At The Lauren in the West End, a one-bedroom apartment is currently [listed on Craigslist](#) for \$2,000 a month. Rents for the one-bedrooms at the [Neon](#) on Granville Street start at \$1,730. Even a studio

apartment at the [Plaza 500](#) on Cambie Street costs \$1,750 per month.

To create new rental housing without the high rents, the report suggests handing some of the financial risk over to investors who want to use their money to make a difference. In B.C., the idea of socially responsible investing is often connected with environmental causes, but according to Tansey, affordable housing has long been a popular target for impact investors in the U.K.

'Bring capital from private sector'

Something similar could only happen in Vancouver with the participation of all three levels of government, Tansey said — everything from freeing up public land for new development, to expediting construction permits, to re-zoning single-family home neighbourhoods.

"We should be thinking ... of what government can do to create conditions to bring capital from private sector investors, from foundations, and from large-scale institutions," Tansey said.

Investment products known as Real Estate Investment Trusts (REITs) bundle together affordable housing projects and offer shares to investors — though the returns are obviously lower than with market-price developments.

This type of trust is only worthwhile to investors if it includes a large portfolio of properties, in order to drive down costs for things like property management and improvements. The U.S.-based [Housing Partnership Equity Trust](#), for example, had more than 2,600 units in its portfolio last year.

Vancouver is far from ready for REITs, according to Tansey, noting that permitting takes too long and land prices are too high.

But there is a similar experiment underway here on a much smaller scale. Just two years ago, [New Market Funds](#) launched Canada's first affordable housing investment fund, raising \$11 million to invest in four new housing projects on land owned by the city. The targeted annual return is six per cent.

"It's still a test balloon in some ways," Tansey said of the project.

"This is a kind of structure that with some additional regulatory changes...could open up a lot more capital."