



Real estate agent Manyee Lui estimates that 80% of sales in west-side Vancouver's top bracket are to buyers from China. This Shaughnessy mansion* was listed at \$15 million

Wealthy immigrants from China are happy to pay stratospherically for homes in Vancouver.

But that turns out to be only the first part of the bill

The Price of Paradise

The house Manyee

Lui is showing today is listed at \$2.2 million. Although the lot is only 33 feet wide and the house is nothing more than a blandly handsome two-storey, Lui expects it to sell quickly, even though the market's turned a little tepid. With 2,900 square feet, the place is big enough for four bedrooms and an additional self-contained suite. All things considered, she says, "It's not so expensive."

Lui is simply telling it like it is: This house in the Dunbar neighbourhood may not be anyone's idea of a dream home, but it delivers respectable accommodation for a reasonable price, at least by the standards of Vancouver's west side. With a standard city lot trading hands for around \$1.4 million and construction costs running at least \$200 a square foot, it doesn't take much of a house to hit the \$2-million mark. And this summer and fall, as real estate markets wilted in most of the country, vertigo-inducing prices for properties on Vancouver's west side held steady or even edged a little higher.

The question a lot of people were asking is, Who on Earth is buying them?

By Jim Sutherland
Photographs Hubert Kang

* For more photos, go to globeandmail.com/robmagazine



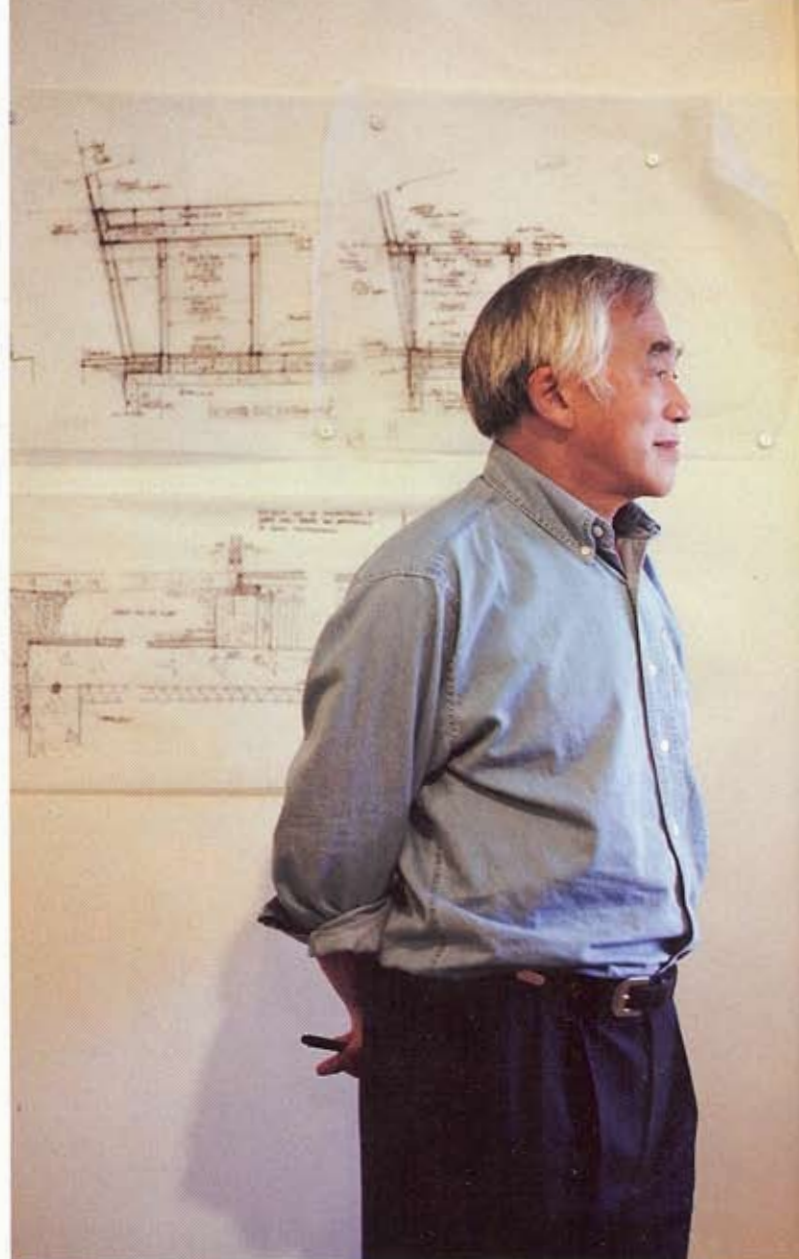
Architect Bing Thom and Li family
dealmaker Andrea Eng both see
Vancouver as a Canadian capital
for the Asia-Pacific world

Lui explains why she's so confident the home will sell: "It will appeal to a buyer from China." She allows there was a time when Chinese buyers' architectural preferences differed significantly from the local norm, but over the last 10 years their tastes have widened and become more westernized. Now long-term Vancouverites and incoming Chinese are seeking almost exactly the same thing—except, Lui says with a laugh, "we can't afford it."

True. When Lui says "we," she's talking about the locals, people who make their living in Vancouver. Now that the forestry industry has been eclipsed and the place has a median household income that is only average by Canadian standards, Vancouver is a city with no visible means of support. The affordability ratio has rocketed upward so quickly that it is now the steepest on the continent: more than double the Canadian average and more onerous than in places like New York and San Francisco. No wonder Vancouver is at the top of the media's suddenly urgent bubble watch, not just in Canada but also in the United States; outlets ranging from Reuters to *Businessweek* have reported on a housing market they suspect is ripe for the kind of downfall the Americans are only too familiar with.

If "buyers from China" answers the "who" question about Vancouver's unique real-estate market, the follow-up question—"Where is this leading?"—is harder to answer. The torrid affair between eastern Asia and Vancouver real estate, now in its third decade, is actually a love triangle from which each party derives very different things. When wealthy Chinese immigrants buy property in Vancouver—and they utterly dominate the top end of the market—they're actually buying a form of insurance. What the federal and provincial governments get out of these newly minted Canadians turns out to be a modern form of the infamous head tax that was imposed on Chinese migrants in the 19th century. And what Vancouver gets is an economy that boasts a lot of froth, and not much substance. From all three angles, it feels like a relationship that is built not so much on commitment as on enjoying the good times while they last.

In 2003, renowned Vancouver architect Bing Thom remarked that his city was becoming "the Switzerland of the Pacific." The Hong Kong-born Thom was referring to the way the city offered a safe and comfortable harbour to elites from around the Pacific Rim in search of fresh air, good schools and geopolitical peace of mind. About



the same time, Andrea Eng heard a Korean billionaire refer to the city as "the Geneva of the Pacific." Eng, who has spent most of the past two decades brokering deals on both sides of the Pacific for Li Ka-Shing—the world's wealthiest Chinese businessman—picked up on the phrase and began to use it on her website. By 2009, the concept had received academic validation, after University of British Columbia historian Henry Yu invoked it in a journal article about the network of Asian-born and -descended Canadians who link this country to the world's newly dominant economic zone—a place that will increasingly determine Canada's own prosperity. "Vancouver, in particular, is an incredibly sought-after location," he says.

Yu is careful to add a caveat, though. Vancouver is popular as a life-style destination for those who can afford it—not as a place to make a living. More ambitious immigrants, Asian and otherwise, are more likely to choose Toronto. In fact, British Columbia (which essentially means Greater Vancouver) receives about 15% of all Canadian immigrants, which, given its population, is only slightly more than its proportional share. On the other hand, it gets about half of the annual 10,000 or so people who can prove they are already wealthy and therefore eligible for easier, if more expensive, rides in the entrepreneur and investor classes. And the rest of Vancouver's 15% share fits a distinctly different profile than do immigrants to places like Toronto and Montreal: more skilled and better educated, and much less likely to arrive as refugees.



A couple of kilometres east of Dunbar, in the old-money Shaughnessy neighbourhood, Lui is showing another home—a 1920 Georgian listed at a hair under \$5 million. Here the seller is an immigrant from China who's building a larger home. The buyer will likely be from China as well: Lui estimates that up to 80% of recent sales in this price range have been going to buyers from mainland China.

Moving a little downmarket, the proportions are lower but still significant. At Wesbrook, a high-rise development on the University of British Columbia campus where units typically run \$1.5 million to \$2 million, some 40% to 50% of buyers are from mainland China, according to George Wong of Magnum Projects, which markets condos for Wesbrook's builder, Aspac Developments. Another 30% of units go to longer-term Canadians of Chinese descent. Across the Fraser River in Richmond, at a massive new development called River Green (average condo price: \$930,000), the proportions are roughly the same.

UBC geographer David Ley has attempted to address the question of "Who's buying these places?" in a different way, checking sales data for Vancouver neighbourhoods against variables like interest rates, unemployment levels and house construction—none of which correlated well. Instead, the strongest indicators of price movement were related to international investment and immigration. The arrival of other Canadians from elsewhere in the country actually dampened prices. The same effect showed up when Ley widened his lens to Greater Vancouver: The

highest values occurred in areas with high immigrant populations and a predominant Chinese ethnicity. So Vancouver may be the first North American city where the phrase "there goes the neighbourhood" should be uttered when a Caucasian moves in next door.

The data used in Ley's study are more than a decade old, but the same conclusion springs from the relationship between Vancouver's west side—home to neighbourhoods like Dunbar and Shaughnessy, as well as the downtown peninsula—and the City of West Vancouver, which is just across the Lions Gate Bridge and boasts a beautiful mountainside setting right on the ocean. The two areas have always contained the region's highest-priced real estate, with West Vancouver's bigger houses on bigger lots historically 10% or 20% more expensive. However, West Vancouver is less appealing to Chinese immigrants and, at least partly as a consequence, homes on the west side of Vancouver proper have been appreciating much more quickly—by 66% in the last five years compared to West Vancouver's 23%, according to the Real Estate Board of Greater Vancouver's benchmark index.

Price increases of that sort are irresistible to



Historian Henry Yu sees little trace left of racism in Vancouver. But skilled newcomers like lawyer Fang Chen often cannot practise their professions

smaller-scale residential renovators and developers, who have been transforming the west side and other Asian-preferred areas such as Vancouver's east side and suburban Richmond at breakneck speed. On some blocks in Dunbar, virtually the entire stock of mid-sized homes from the 1920s through to the 1950s has been replaced by 3,500- and 4,000-square-foot open-plan designs with exteriors dressed up to look like bank managers' manses from the turn of the 20th century. Houses like these, which executives or energy traders might pay \$1.5 million for in Toronto or Calgary, and engineers and educators might pick up for \$800,000 or \$900,000 in Winnipeg, sell for \$2.5 million to \$3 million each.

Back in the late 1980s, before Tiananmen Square kicked off the great Vancouver land rush, it would have taken a particularly prescient forecaster to pluck Dunbar from among the west side's also-ran neighbourhoods and anoint it as a contender. The area is largely deficient in the mountain and ocean views that can add several hundred thousand dollars—millions at the high end—to the value of a home. But it does benefit from another feature that most Asian immigrants view as more important: its proximity to the region's best schools. UBC is handy, several of Vancouver's best private schools are located in the area, and even its public schools score near the top of the Fraser Institute's annual ranking of B.C. schools.

A common scenario for an investor immigrant from mainland China unfolds like this, explains immigration lawyer Steven Meurrens: One member of the household qualifies under a category of the Business Immigration Program and posts a \$120,000 bond in lieu of making the \$400,000 investment stipulated under the program. (Some qualify instead as "provincial nominees," and follow a somewhat different scenario involving an actual investment.) Portions of the money are divvied out to various immigration advisers and service providers, while the interest accrues to the federal government, which in turn spreads it around to provincial governments—about a half billion dollars annually of late. Essentially, the money is treated as the cost of Canadian entry—although in a further wrinkle, many breadwinners never move to Canada, instead retaining their offshore jobs or businesses as well as Chinese citizenship, to maintain their income stream and taxpayer status in China, which helps shelter income from higher Canadian taxes.

Researching places to live in Vancouver is simple



enough: There's a vast network of expats to survey, and Chinese-based websites discuss favoured neighbourhoods in considerable detail, with special attention paid to schools. Typically, one of the parents, usually the wife, moves to Canada with the children while the husband stays in Asia, coming for visits when he can.

This arrangement is a rational response to the reception immigrants typically receive: High-status entrepreneurs or executives back home, they are rarely given an opportunity to duplicate that success here, and instead are often relegated to work in retail, in restaurants or even delivering newspapers. The syndrome was outlined in a 2007 Statistics Canada report indicating that new immigrants' incomes have recently been dropping compared to previous eras. "There was unanimous sentiment among all respondents that economic success in Canada, even limited success, was extremely difficult to achieve," confirmed UBC's David Ley, after conducting dozens of interviews and focus groups for his 2010 book on Vancouver's Chinese phenomenon, *Migrant Millionaires*.

The children, meanwhile, are enrolled in private or public schools, quickly picking up English—complete with the Canadian accent, which is preferred to British- or Australian-sounding speech or regional American accents. When they have graduated from high school or, more likely, university, the sons and daughters may return to Asia to take over the family business from their father. At that point, the couple may retire to Vancouver—a place that women in particular grow to appreciate—or

the entire family may return to Asia, ending the cycle, which, as Ley points out, could more accurately be termed one of "migration" rather than "immigration."

The scenario is a generalization, of course, and every story is different. Take the experience of Fang Chen. A litigation lawyer back in China, Chen arrived two years ago, while her husband stayed behind to manage a successful business, visiting when he can. Their son, now 6, arrived in Canada to start school this year. Chen is boning up on the Canadian legal system, but has no plans to join the bar here, because, she says, "it would be almost impossible for me to break in."

The couple bought a house in Port Coquitlam, a middle-income bedroom suburb nearly an hour's drive east of central Vancouver. To the free-thinking Chen, the place holds an advantage: The proportion of Chinese is among the lowest in Greater Vancouver. "I want my son to know more about Canadian culture," she says. "I didn't want a neighbourhood where most of the children are Chinese." If all goes according to plan, Chen and her son will rejoin her husband back in China in about two years, after the son has become fluent in English and has gained a jump-start from an education system that Chen views as more enlightened than China's. Joint Chinese-Canadian citizens, the family may well return at another stage of his education—another common trait of Chinese parents, who often see an advantage in blending the rigorous but also rigid system back home and Canada's more liberal approach.



Historian Yu, who is descended from families who were kept apart by Canada's discriminatory Head Tax, views the growth of Canada's Asian population not as a new phenomenon but as a renewal of North America's Pacific ties. At the turn of the 20th century, B.C.'s population was about 10% Chinese—a proportion that was only regained around the beginning of the 21st century. The largely Chinese-constructed CPR was not so much an act of nation-building, Yu says, but rather a gamble by investors who hoped to cut transportation time to Europe for precious Asian goods like silk and tea. For most of the 20th century, Canada looked east toward Europe, the source of most immigrants and non-U.S. trade. But today more than half of all immigrants are from the Asia-Pacific region (more than 90% in B.C.), and trade across the Pacific easily exceeds its Atlantic equivalent.

Yu is optimistic that the resentment that bubbled up in B.C. during the late 1980s, when Hong Kongers and Taiwanese first began to arrive in large numbers, has subsided considerably. That animosity was a function of Canada's legacy of white supremacy, he believes; of so many middle-income people—

What you get on Vancouver's west side for...



\$500,000

#314, 1550 BARCLAY ST.

Condo prices vary widely depending on neighbourhood, views, building quality and other attributes. Prime buildings in Coal Harbour (on the waterfront between Stanley Park and downtown) average more than \$2,000 a square foot, while nearby medium-rent areas like Yaletown, the West End or around Granville Island run closer to \$600 or \$800, as is the case with an 820-square-foot unit in this West End building.

Listing price: **\$493,900**

\$1 MILLION

905 W 20TH AVE.

In better areas of the west side, a standard 50-foot building lot goes for around \$1.4 million, so anything listed for less is likely to be a tear-down or fixer-upper located on a smaller lot or busy street. Alternatively, it could be in a transitional area with a less desired school catchment. This home, on a 33-foot lot in pleasant Douglas Park, represents something of a bargain at **\$1,065,000**.

\$2 MILLION

2963 W 31ST AVE.

Median west side house prices are currently in the \$1.7-million vicinity, so \$2 million will purchase something quite nice, like this appealing and well-maintained home on a 50-foot lot in the well-regarded Mackenzie Heights area.

Listing price: **\$1,989,000**.

\$5 MILLION

4725 CONNAUGHT DR.

Listing prices reach \$10 million and beyond, but a careful shopper can still find something with mansion-like characteristics for a mere **\$4,980,000**. This Georgian Revival from the 1920s is located in the prestigious Shaughnessy neighbourhood, and encompasses more than 5,000 square feet on an 85-foot lot.

"accountants of empire"—having had it so good for so long. Vancouverites, especially younger ones, now see the real estate situation for what it is, a simple case of market economics, he thinks. "Almost no one under 40 cares," he says, suggesting that Vancouver's rapid transformation has been relatively painless, all things considered. Even in the wake of the arrival of a ship carrying Tamil asylum seekers, British Columbians remained more favourable to immigration than any other Canadians, according to a September Angus Reid Public Opinion poll. "In B.C. there's a sense of a gain from immigration," confirms Reid.

Still, it's undeniable that there has been a downside to the influx of wealthy people; Bing Thom, whose firm has given Vancouver some of its most iconic buildings, expresses a common view when he laments how real estate prices have banished young families from close-in neighbourhoods, except for the increasing number who choose high-rise condos over houses. He also worries about the city losing the bohemian air that has always contributed to the Lotus Land effect: Where will all the chefs and designers live, let alone the artists and musicians? "We are emptying our city," he says. "A lot of young people are forced to leave."

At the same time, there's a vein of thought that Vancouver's recent focus on rezoning land to provide places to live—especially a downtown condo forest that has become the city's defining feature—has left it with a dearth of office buildings and factory sites where all those new residents might actually be able to find work.

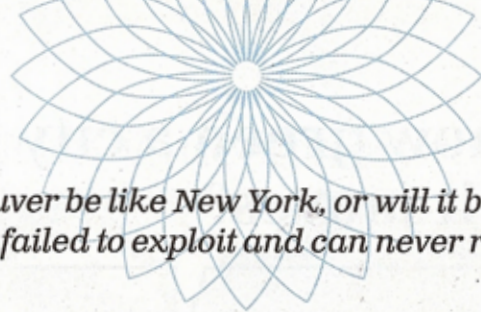
Still, if Vancouver must be on guard against some

of the changes wrought by the influx, a city with an economy disproportionately dependent on the real estate industry must also be wary of the day the arrivals lounge empties. This past summer, when the pace of sales eased right across the country, the soul-searching in Vancouver was particularly intense, even though local prices did not decline. If a real estate slump were a mere reflection of Canadian circumstances, that would be one thing; but if a breakdown in the Asian relationship, that's quite another.

Lynn Hsu owns Macdonald Realty

Group, home base to Manyee Lui and almost a thousand other agents; since buying a single office in 1990, Hsu has turned the company into Western Canada's largest realty operation, and she is well aware that Vancouver is vulnerable to changes in Asian investment and immigration. After 1996, when immigrants from Hong Kong stopped arriving and many in fact returned to Asia, real estate swooned, reviving only around 2002, when economic conditions improved and immigration from mainland China began to surge. Hsu says there is little agreement about what would happen to the market if China itself experienced a real estate meltdown of some sort. "One view is that it may have a negative effect," due to the depletion of fortunes built on real estate and development (the primary contributor of wealthy migrants, alongside manufacturing and mining, she says). "But the other view," she says, "is that Vancouver will look more appealing as people look for ways to get their money out of China."

Hsu cites another factor that has the real estate industry on tenterhooks: the imminent doubling of requirements for investor and entrepreneur immigrant programs, raising minimum net worth to \$1.6 million and minimum investment to \$800,000. What will this change do to the supply of wealthy immigrants? "That's the question everyone is asking,"



Will Vancouver be like New York, or will it be like Halifax—a place haunted by a heyday it failed to exploit and can never recapture?

says Steven Meurrens, the immigration lawyer.

Some 80% of immigrant investors are from Asia; at Immigration Canada offices in cities such as Beijing and Hong Kong, there are three-year backlogs of applicants who qualify under the old rules. Thus it will likely be years before the number of people arriving under the investor program dwindles. And as long as wealthy immigrants continue to arrive, pretty much everyone believes they'll continue to buy homes here, rather than, say, invest in American cities where property is now much cheaper. "They're here, not there," says Hsu flatly. "They need a place to live."

There's also general agreement that a large proportion of Chinese immigrants won't opt to rent instead of buying, even if the economics make more sense. "People in China always feel very insecure if they do not own their own house," says Fang Chen. "Even those with a very low income will spend their savings to buy." It's a trait common to any country with an agricultural heritage and limited land, explains Tsur Somerville, an associate professor at the UBC Centre for Urban Economics and Real Estate. "There are some countries where the only collateral has been real estate." Historian Yu even compares Vancouver real estate to a Swiss bank account—not for its secrecy, but for its rock-solid value and political peace of mind. The icing on the cake: Capital gains on a primary residence are tax-free in Canada.

So there's a consensus of sorts: Vancouver real estate prices are unlikely to rise in the near future and may or may not fall. But if they do fall, the primary reason will not be a dearth of wealthy immigrants. That still leaves the bigger question: Is Canada's third-largest city forever doomed to make its living selling condos, or will its connections and favoured geographic position translate into something new and significant? In other words, will it be New York, or will it be Halifax—a place haunted by a heyday it failed to exploit and can never recapture?

Most of those near the centre of the Vancouver/Asia nexus are inclined toward the more prosperous scenario. "Hong Kong was the entrepôt to China. Now that Hong Kong is part of China, Vancouver is the next stop, the Asian gateway," says Thom. In a world connected primarily by air and electronics, the city's isolation is no longer an issue, he says; second homes are being purchased and offices established because a place once seen as remote is now becoming central. Andrea Eng adds a classic Left Coast wrinkle to the same argument: "This is the best time zone in the world," she says. "I get up at 3 or 4 in the morning and do all my Europe, Asia and East Coast e-mails, and then I go to yoga."

Eng believes that the obsession with real estate is

merely a phase for the adolescent city. True, she says, Asians get their first look at Canada's huge expanse and say, "Let's urbanize it!" But that impulse will pale compared to the continent's appetite for Canadian resources, which is rapidly becoming the next chapter in this story. As ownership regulations loosen and Asian companies rush to secure their necessary shares, Vancouver, their North American toehold, will be in a position to wrestle away some of the action from places like Toronto and Calgary, not to mention Houston and London. Or so the theory goes. The desire to live here is certainly strong enough, Eng believes. A generation ago, many Asian immigrants landed in Canada as a consolation prize because the U.S. had lower quotas and stricter entry requirements. Opinions differ, but Eng thinks Canada is now a first choice, not a fallback. "It's definitely preferable to the U.S.," she says. "By miles."

Meanwhile, there's a sense that the rivets joining local and Asian economies are finally being hammered down. "The notion that there are limited business opportunities connecting Vancouver and Asia is an increasingly outdated one," says Yuen Pau Woo, CEO of Vancouver-based Asia Pacific Foundation of Canada, a think tank charged with analyzing and supporting those links. He points out that many national and international legal and accounting firms are beefing up their Vancouver offices to serve the Asian market. In September, Vancouver mayor Gregor Robertson sought to capitalize on the China connections on an 11-day Chinese mission, with green technology the primary focus.

Even the apparent failure of many immigrant families to take root may be advantageous, thinks Woo. The foundation estimates there are as many as 600,000 Canadians living in Asia—an instant network in waiting. Given that there is arguably more human interaction between Canada and China than between any other OECD countries, there is nothing "heritage" about Vancouver's Asia-Pacific status, unlike a city like San Francisco, the original would-be Geneva of the Pacific. Woo cites the recent spread of British Columbia's White Spot hamburger chain in Asia as a case of "taste transfer" of a sort that will only accelerate as Asian and North American cultures become more intertwined.

At the same time, he says, "the opportunity to tap into Vancouver's Asian knowledge and networks is grossly underutilized." Asians and non-Asians alike often still see Vancouver chiefly as a retirement or lifestyle destination. "But the raw material to be a hub is already in place," Woo argues. It's a matter of "mobilizing, energizing and creating a critical mass of business, networking, and intellectual activity."

Angus Reid the businessman has a slightly different take on Vancouver's position than Angus Reid the sociologist. From the latter perspective, the city's multiculturalism is paramount. But as CEO of Web polling firm Vision Critical, which is expanding rapidly around the globe, he seconds the views of Thom and Eng about Vancouver's privileged position. "It is as mundane as time zones," he says, "but Vancouver is also a really good source of talent."

And maybe that's a start: a high-end workforce if not yet a lot of high-end jobs. What Vancouver needs now is a hundred more enterprises like Reid's that bubble up from within to capitalize on the talents of the multilingual and multicultural children of the multimillionaire immigrants, the folks who are now bussing tables and delivering papers. When that happens, maybe Vancouver will have finally found a way to parlay its Asian connections into an economy that's capable of supporting its Swiss-watch lifestyle.

121