

REAL ESTATE ROUND TABLE

Experts offer their opinions on Vancouver's real estate sector under the umbrella of the Board of Trade's featured event.

BY STEVEN THRENDYLE

Everybody in Vancouver loves to talk about where real estate and prices might be heading, so when the Board of Trade announced that its October round table would bring in four heavy hitters from the property development sector, tickets sold out in no time. The very title of the talk – *Bubble Trouble* – and all of the negative connotations surrounding that loaded “b-word” was in itself controversial.

The moderator was David Podmore from Concert Properties and the BC Pavilion Corp., who actually predicted Vancouver's brief 15-per-cent correction back in 2007, a full two years before the Lower Mainland's real estate values tested their bottom in the aftershock from the global economic crisis.

Podmore kicked the show off by intimating that Concert Properties has ramped up its real estate offerings in both Vancouver and Toronto, even getting involved with building rental properties – a somewhat overlooked, and much-needed, type of housing. Having travelled recently to

many international cities, Podmore said that “Canada – especially Alberta and British Columbia – remain in a bit of a cocoon from the rest of the world. Vancouver real estate is being seen as a hedge against things that are happening in other parts of the world. We've enjoyed very strong sales with projects that we are currently marketing.”

Podmore introduced Richard Wozny from Site Economics, a commercial real estate consultancy, who offered opinions based on solid market research and as personal observations as a long-time Vancouverite. Speaking to the massive spike in the dollar value of single family homes on the west side of Vancouver, Richmond, and West Vancouver, Wozny said that, “Detached home sales long ago detached themselves from any rational explanation based on economics, and are about 25 per cent higher than the normal trend lines would indicate.”

He praised municipal governments in Burnaby and Richmond for creating real estate value along transit corridors, specifically near SkyTrain stations at

Brentwood and Lansdowne, which combine housing and commercial/retail space. “Increasing infrastructure creates value for both developers and residents, but it becomes a problem when people won't pay for it. Right now, there is no correlation between house prices and income, which becomes a problem for communities because alternative forms of taxation will need to be developed to pay for building and maintaining roads, schools, parks and transit. Income tax as a source of income for municipalities will decrease. Still, people move to cities with strong public infrastructure, and Vancouver's value is warranted. My verdict is there is no bubble in Vancouver.”

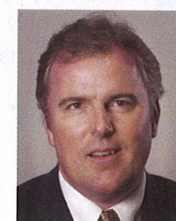
Next up was Ward McAllister, president and CEO of Ledingham McAllister Properties. He took the time to walk people through what a real estate bubble actually is, and why Vancouver is not currently in one. “A bubble is formed during a period of rapid price inflation in an under-supplied market.”

He pointed out that Canada Mortgage and Housing Corp. (CMHC) defines a balanced market as being eight months' supply of ready-to-move-into homes. “According to CMHC, right now there are only 1,459 new condos available for sale, which is only a one- or two-month supply. Five thousand new units will come on in the next 12 to 14 months and that will be absorbed quickly. Housing starts are still below their 10-year average because many new home projects were put on hold during the recession. In an average year, 16,300 new homes are absorbed into the market – our 10-year average is 30,000 starts, so we're still way below our average number of starts.”

The crazy prices for housing in “the high ground,” like West Vancouver, is being driven by buyers and investors from Asia and 90 per cent of these immigrants will occupy their houses at some point. “There are 300,000 immigrants pre-approved to come to B.C. under the investor program in the next five years – even though they have to place an \$800,000 investment bond – up from \$400,000 last year.”

Other factors ensuring Vancouver's success include stable interest rates through 2012 and a restricted land base due to mountains to the north, the border to the south and the Agricultural Land Reserve to the east.

McAllister's thoughts were echoed by Eugene Klein, the president elect of the Real Estate Board of Greater Vancouver. “The global recession resulted in the lowest number of home sales [in 2009] in the past 25 years, but the 15 per cent loss in value experienced then has now been recovered and is moving upwards. We are predicting moderate growth for next year.” Other key performance indicators



From top: David Podmore, Concert Properties and BC Pavilion Corp., moderator; Eugene Klein, president elect of the Real Estate Board of Greater Vancouver; Richard Wozny, Site Economics; Ward McAllister, Ledingham McAllister.

point to the strength of the Lower Mainland economy, specifically the fact that employment in construction trades is up, commercial leases are up, and retail spending in shopping malls is the highest in North America.

McAllister pointed out that many homeowners are sitting on the sidelines due to confusion about what will happen when the GST/PST is re-instituted three years from now. “It's having a tremendous impact on new home sales, renovations, everything. A lot of properties above the \$575,000 threshold are sitting in limbo while we wait for clarification on what will happen with the Harmonized Sales Tax.”

While the Vancouver housing market is indeed healthy going in to 2012, affordability remains a touchy issue for many residents. David Podmore said, “Do whatever it takes to get into the market. Borrow money from your parents, get creative about financing...” And if that doesn't work, another panelist advised, “Find new parents!” ■