

Barbara Yaffe: Vancouver houses to stay out of reach unless you inherit

Sales are up, prices are too, and nothing will change, says Sotheby's

BY BARBARA YAFFE, VANCOUVER SUN COLUMNIST MARCH 18, 2014



Sotheby's points to improved market confidence, tighter housing inventory and low mortgage rates as factors in the city's continuing robust market.

Photograph by: Jason Payne, PNG

VANCOUVER — To those poor souls holding out in hopes of a long-awaited market correction in Vancouver's prohibitively priced housing sector, brace for disappointment.

That's the word from Sotheby's International Realty Canada, as outlined in a report for spring 2014, released Tuesday.

"With February 2014 sales reflecting a 40.8-per-cent increase over the same month in 2013, Vancouver entered its 10th consecutive month of year-over-year sales gains with the market looking equally healthy for spring.

"Metro Vancouver housing prices are expected to remain strong."

And so, that cute little teardown is not likely to become more affordable any time soon. Neither is that cosy fixer upper that really ought to be described as a cute little teardown.

Sotheby's points to improved market confidence, tighter housing inventory and low mortgage rates as factors in the city's continuing robust market.

The company also notes Vancouver's jobless rate, at 6.3 per cent, remains below the Canadian average, at seven per cent.

And then, of course, there's population growth. Statistics Canada data show more than 31,000 immigrants moved to Vancouver between June 2012 and June 2013. They all need a place to live.

The Sotheby's report, commenting on the broader Canadian market, which some lately have speculated is in bubble territory, says real estate markets in Vancouver, Calgary, Toronto and Montreal all will experience "few signs of stress in the months ahead."

Of the four cities, Montreal looks the most potentially vulnerable for its own unique economic and political reasons.

Naturally, the falling Canadian dollar, for foreign buyers, has made Vancouver's big-ticket housing market more affordable and thus appealing.

"The falling Canadian dollar is expected to give a healthy boost to ... destination real estate markets for foreign investment such as Vancouver and Toronto."

Then, too, it cannot be overlooked that more than a few baby boomers are walking around with new cash in their pockets, from inheritances.

Sotheby's refers to "unprecedented wealth currently being transferred between generations, with \$1 trillion estimated inheritance to be received by baby boomers in Canada over the next 20 years."

That works out to an average per-capita inheritance of \$56,000. Nearly 20 per cent of those bequeathed cash inherit more than \$100,000.

Boomers make up more than 42 per cent of the country's population, but it's not just boomers poised to benefit.

"An inheritance is an opportunity to assist their millennial generation children with down payments to enter the real estate market, particularly in ... Vancouver, where housing affordability is an ongoing concern."

Inherited money also is being used to upgrade housing, which has a positive impact on real estate prices. Renovations have doubled from a decade ago, says the report.

And don't forget low interest rates, which have prevailed since 2010. Polling this month shows most financial analysts do not foresee a Bank of Canada increase in the overnight lending rate until the summer of 2015 at the earliest.

And so, all signs point to a continued strong market.

While most casual observers might believe Vancouver's market is over the top, poised for a downturn, crazy by Canadian standards, the underlying factors that contribute to real estate-price setting, according to Sotheby's — forces such as supply and demand and prevailing economic conditions — suggest it really is not any of those things.

The market can, however, be fairly described as increasingly and maddeningly unaffordable for the average wage earner in the Vancouver area who has not lately received a big inheritance or lottery win.

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