

Vancouver's housing market shows signs of overheating: report

RBC says it has never been so unaffordable to own a single-detached home here

BY MATTHEW ROBINSON, VANCOUVER SUN MARCH 1, 2016 8:44 AM



RBC analysts say affordability in Vancouver should continue to deteriorate in the near term given “tight demand-supply conditions.”

Photograph by: JONATHAN HAYWARD, THE CANADIAN PRESS

VANCOUVER -- Housing in Vancouver is becoming dangerously unaffordable. That was among the findings of an RBC report released Monday, the same day Vancouver city councillor Geoff Meggs offered a reality check to homeowners in the country's hottest real estate market.

The Vancouver housing market is showing increasing signs of over-heating, according to RBC's Housing Trends and Affordability report for February.

“In fact, it has never been so unaffordable to own a single-detached home in the Vancouver area,” the report found.

And while single-detached homes have already become out of reach for the vast majority of buyers, condos are also becoming less affordable.

RBC's housing affordability measure shows the proportion of median pre-tax income needed to meet mortgage payments, property taxes and utilities for a median market-priced home in a given segment. Vancouver's measure for single detached homes was “an astounding” 109 per cent in the fourth

quarter of 2015, according to the report. Condos were a more affordable 44.1 per cent.

Despite the high costs, home sales in Vancouver jumped 28 per cent in 2015, with 43,000 units changing hands. At the same time, prices surged 11 per cent. It was the strongest gain in the country.

Affordability in Vancouver should continue to deteriorate in the near term given "tight demand-supply conditions," projected RBC's analysts.

Around the same time the troubling report was released, a few dozen Vision Vancouver supporters and other Vancouver residents gathered at a Downtown Eastside coffee shop to hear Meggs speak about "the urgent challenges" of housing affordability and skyrocketing home prices.

"Let's be honest — for a long time we really enjoyed that ride. There wasn't a lot of people complaining about the escalation of single-family home values until relatively recently. That love of speculative gains from land is something that's part of — I think — our province's DNA and it's not good for us. We're finally hitting the point where we see that it has very negative consequences for the majority of the population," Meggs said.

"It's not just a crisis for people in poverty. It's not just a crisis for people who would like to live and work in the city of Vancouver, it's not just a crisis for those who someday hope to buy a place," he said, noting that the high market is harming the economy and social cohesion.

But the big question is what to do about the problem. Vision Vancouver's path to making Vancouver the world's greenest city has in some ways been more clearcut than improving its affordability, Meggs said, referencing the two key planks of his party. It was a comment made to reflect the party's position that making housing more affordable demands efforts from the local, provincial and federal levels.

"We're hopeful for the first time that we could see that 'big three' partnership that's been missing for about 15 years to spark a lot of housing development," Meggs said.

He praised the federal Liberals' commitment to invest in affordable housing: "You can't underestimate how important that is."

He also noted that Victoria acknowledged housing affordability in its recent throne speech "and to a degree, the budget."

As for what Vancouver is doing to tackle affordability, Meggs had this to say: "We are so far ahead of other municipalities working on this front that it's a concern."

He listed the creation of secondary suites and laneway houses as well as market rental and social housing units during his party's tenure in office as evidence of its success.

"We are proud of what we have accomplished, although we know that it's not enough."

Other B.C. markets are also heating up, according to the RBC report. Victoria's resale market surged 23.5 per cent in 2015, with home sales reaching their highest level in eight years. Homes in that city are roughly as affordable as the national average, RBC found.

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