



Vancouver house prices can't keep rising forever

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I always try to avoid answering the obvious question: "So, how long is this current real estate boom going to continue?" Predicting when the bubble will burst can be dangerous, if for no other reason than I might live to regret being proved totally wrong.

Any predictions would be based on gut instinct, since I don't follow the market closely enough to have real data.

I was recently prompted to think about my view of the real estate market in B.C., and I realized that my gut feeling seemed at least justifiable, so here are my predictions.

An acquaintance who is quite informed about global economics, world politics, international immigration, business trends and such recently argued that Vancouver is immune from all of those negative forces that tend to cause economic recessions -- things like Middle East wars, high oil prices, credit crunches in the U.S., etc.

In fact, he believes that B.C. is a haven for people fleeing such doom and gloom, and that our real estate market therefore benefits from the uncertainty, instability and economic downturns elsewhere. People like to park their money in a safe, stable, beautiful place like British Columbia.

Maybe so for Vancouver -- at least the downtown -- which is part of a world residential real estate marketplace.

While Vancouver's downtown real estate market may be immune from global economic forces, it has a market depth, especially for luxury real estate, probably deeper than most other B.C. markets.

Perhaps the Okanagan is also a market unto itself, somewhat immune from outside economic forces. Albertan oil money has had a huge impact on fuelling demand for properties in Kelowna, Penticton and Osoyoos. However, given the dependency Alberta has on the price of a barrel of oil, one could hardly argue that Alberta's economy is immune from global economic forces.

Real estate markets outside Vancouver's downtown aren't driven by outside demand. Therefore, they simply can't continue their upward climb forever. On the other hand, I am not predicting a market crash in the suburbs either.

The sustained market appreciation we have experienced in suburban real estate markets -- places like Surrey, Langley, Coquitlam, Maple Ridge, etc. -- has been largely dependent on strong levels of employment. Job creation drives demand for housing.

The Lower Mainland has experienced record levels of employment in recent years. Significant job creation has come from the construction sector: from housing construction and large projects that include the airport expansion, the widening of the Sea to Sky Highway, the Vancouver Convention Centre, the RAV rapid transit project, the Olympic Oval, and port expansion.

I fear what could happen to housing demand when these large employment projects come to an end, as most of them will near the end of next year.

There has to be some adjustment as demand decreases. Price adjustments will likely be minimal because there hasn't been a lot of extra housing inventory on the market over the past couple of years.

But I also believe the upward price curve will begin to flatten as we come to the end of this year and move into 2009. So that's it for predictions. I would be happy to be reminded of the same if I am wrong.

Looking back over the past year, I can only continue to be amazed at how the level of public awareness about climate change and its connection to man's impact on global ecosystems has impacted everything we think about and do.

Housing and urban development has not been immune from this shift.

Will the focus last? Is the concern deep enough to actually fundamentally change the way we plan and design communities and build houses and other buildings?

I believe it is not a matter of wanting to do the right thing. It's a matter of having to do it because our way of life is at risk.

Vancouver, in particular, has an opportunity to lead the way when it comes to showing the world how to fully embrace sustainable development.

We are far ahead of any other North American city when it comes to making a commitment to build greener buildings, both public buildings and private development.

The development industry has resisted the imposition of mandatory standards for residential green buildings. Maybe they are not necessary -- it is up to the industry to demonstrate this.

The fact is that a number of Vancouver developers pioneered innovations in more sustainable building technology long before others.

The City of Vancouver has committed to one of the highest North American

standards for green building design for public buildings.

There's little doubt that the level of public awareness and concern that arose over the last year around sustainable development will shape much of what unfolds on Vancouver's skyline and in Vancouver's neighbourhoods in the year ahead.

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