

Job growth, not speculative buying, is what's driving our property boom

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BOB RANSFORD

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Everyone likes to talk about the speculative nature of the real estate market, especially when today's housing prices match or outpace the high point in the last cyclical curve or when prices are at the bottom of the trough.

That's when the questioning starts. Where are trends headed? Is this a good time to buy or a bad time to sell?

This questioning may be more a form of meaningless chatter among bystanders than actual market intelligence. Consumer habits seem to prove that the housing market is anything but a speculative market.

Most people don't buy a condo or a house as a speculative investment. They buy because they can afford to own. They buy because their employment

is secure and interest rates allow them to take on a monthly mortgage payment. They buy because of a family situation or a lifestyle decision.

Some people may buy a home or a condo as an investment, renting out the home and hoping that the value of the property will appreciate over time. But usually real estate is the least speculative investment product in their portfolio.

The real estate market is largely dictated by supply and demand and the cyclical forces influencing supply and demand have more to do with overall economic conditions than they do with the speculative urges of the consumer.

The local employment market has the biggest influence on real estate prices, followed closely by the cost of money — current mortgage rates.

Questioning the sustainability of the market is still a popular pastime. Homebuilders and other industry insiders are notorious for seeking answers to explain current market conditions. They are often the first to look beyond the simple supply and demand equation, second-guessing why something that is working shouldn't work.

Vancouver's Condo King, Bob Rennie, reassured home-

builders at a recent Urban Development Institute address that consumers do know what they are doing.

In a review of current market performance and some informed crystal-ball-gazing five or six years into the future, Rennie pointed to the benefits of real job growth in the Lower Mainland as the current and future driving force behind a sustained housing market in Greater Vancouver.

He listed off a number of major projects, including the Vancouver convention centre expansion, the Sea to Sky Highway upgrade project, the Delta Port expansion and the many Olympic infrastructure projects as evidence that there is optimism for continued job growth.

Rennie declared the hot downtown condo market basically in-balance over the next five to seven years.

He cited that there are approximately 15,000 condominium homes under construction or on the books between now and 2008 in the downtown area.

Almost 8,800 of those homes have already been sold. Adjusting those numbers for the investor-owned homes that may be sold back into the market in the interim, Rennie predicted that 1,466 condominiums per year will be supplied to the market.

Historically without major job creation projects in the area, the market supports an absorption of between 1,000 and 1,200 homes per year.

Rennie also declared suburban markets like Burnaby, New Westminster and Richmond as healthy markets where supply is barely keeping up with demand.

He dispelled all speculation about the market hitting the ceiling or stalling before the Olympics, pointing out that consumers buy real estate because it makes sense for them.

Rennie ended his address by reminding development industry insiders that "the world loves Vancouver. People will continue to come here." This is hardly something you can speculate about.

Bob Ransford is a public affairs consultant with COUNTERPOINT Communications Inc. He is a former real estate developer and a director of the Urban Development Institute- Pacific Region. Contact him at: ransford@counterpointcom.com