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Luxury home market booming in Metro Vancouver

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By Derrick Penner, Vancouver Sun



This four-bedroom, custom-built home in west Vancouver sold for \$2.39 million in August.

Photographed by:

PNG, Handout

VANCOUVER -- The realty firm Re/Max is looking to British Columbia's high-end home sales as one bellwether for its prediction that provincial real estate markets are settling into a period of stability, according to a forecast released Tuesday.

Re/Max, in its fall 2010 Market Trends report, estimated that while B.C. home sales have slowed, home values will remain stable in the coming months.

Metro Vancouver has seen home prices edge off of peaks attained earlier this year, but Re/Max expects they will hold on to most of the gains they saw during the 2009 market rebound.

"The interesting thing we're seeing is that the luxury-home market is staying fairly strong," Elton Ash, Re/Max's executive vice-president, said in an interview.

In Metro Vancouver, for instance, Re/Max counted 1,356 sales of homes worth more than \$1.5 million during the first eight months of 2010, 44 per cent more than the same period of 2009.

Ash characterized it as higher-income groups expressing confidence in economic recovery and able to "see opportunity where others don't."

At price-points below the luxury level, however, Ash said a lot of the pent up demand that built up in the market during the recession has been satisfied and buyers are running up against prices that have again exceeded pre-recession highs.

"I might be happy with my job, but now [the question is] can we afford the mortgage payments," Ash said. "It's back to

that scenario, which gives rise to a slowing in the market.”

In its report, Re/Max noted that as of Aug. 31, the average Metro Vancouver home price hit \$667,227, up 16.2 per cent from 2009. In Victoria, the average home-price hit \$495,993 by the end of August, up 8.4 per cent from 2009. In Kelowna, the average was \$418,598, up 6.7 per cent from a year ago.

Re/Max's report is the latest forecast released as consumers attempt to assess what will come next in the post-rebound fall off of sales.

And while Ash said B.C.'s sales and inventory levels hint at balanced market conditions now, other forecasts see more short-term softness.

CIBC economics, earlier this year estimated that B.C. home-prices overshoot what it considers to be a “fair value.”

“Despite the recent decline in prices, we estimate B.C. is now over-valued by roughly 17 per cent,” Benjamin Tal, a CIBC economist said in an interview.

Tal said that doesn't mean B.C. prices will decline by that amount, just that “there is probably more room for B.C. prices to fall over, say, the next six to 12 months. Probably in the next six months.”

Tal said CIBC calculates its fair value by looking at housing rent levels, income levels and demographics and comparing those to current home prices.

“It's not unreasonable to assume prices in B.C. to fall, say, 10 per cent over the next six to 12 months,” he added.

Beyond that, however, B.C.'s demographic trend, with steady immigration, should see the province's real estate markets outperform central Canada over the next five to 10 years, Tal said.

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