



REAL ESTATE ROUNDUP

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Residential real estate prices plateau on the back of demand

Rebound and risk

Real Estate Board of Greater Vancouver (REBGV) stats indicate that the benchmark price of local homes sold through the MLS system has finally surpassed the peak reached in May 2008, but the sharp rebound is again sparking warnings of market froth.

The benchmark price of a resale home in the Vancouver region hit \$573,241 in January, up 1.9% from December 2009 in the biggest move in pricing since last summer. That's up 0.8% from May 2008 and a whopping 18.4% above December 2008.

While more affordable pricing contributed to the current run, B.C. Real Estate Association chief economist Cameron Muir told the B.C. Association of the Appraisal Institute of Canada the elimination of affordability is one of the biggest threats to the current boom.

He pointed to the drop in home sales between

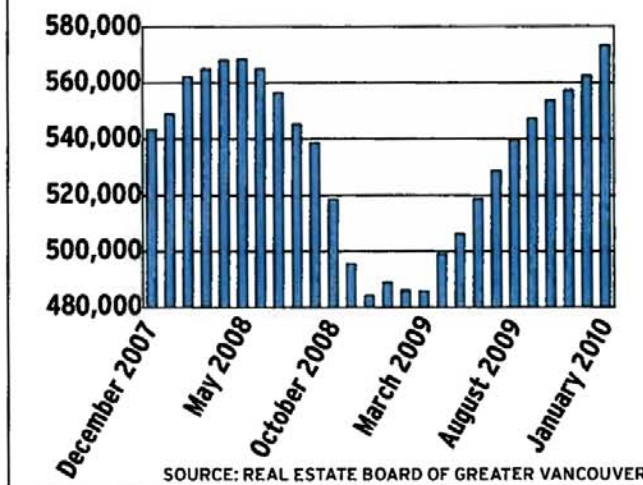
December and January, pegged in REBGV stats at 23.5%, as indicative of the impact higher prices were having on the market.

"I do see prices holding fairly stable over the next year or two," he said, citing affordability concerns and the prospect of higher interest rates within the year as drags on sales.

A slowdown in sales is reassuring to the bears who fear declining affordability and the low cost of mortgages, particularly to first-time homebuyers, could be setting the scene for a correction.

"These are warning signals to potential buyers that people should be prudent and be aware of what they're buying, how much they're borrowing and where they are in this current real estate cycle," said Bruce McCroubrey of Residential Group Realty in Vancouver. "All the risks, to me, are looking to the downside."

Metro Vancouver home price rebounds



About affordability

Vancouver is a desirable place for investors because constraints on supply make most assets a good investment. The point is made regularly in reports from the Urban Land Institute and again in the recent Frontier Centre for Public Policy survey of global housing affordability that tagged Vancouver as the world's least

affordable city. It reported that the median home price here is 9.3 times gross annual media income.

A flood of Olympics-related press releases began streaming into the inbox last week, however, touting Vancouver pricing as affordable to international buyers.

"While Vancouver's high-end real estate is still a real bargain compared to the

rest of the world, that could change dramatically after these Olympics," marketer George Wong of Magnum Projects opined in a release focusing on Aspac Developments Ltd.'s Harbour Green Place.

The penthouse at 3 Harbour Green is tagged at \$22.3 million, or \$2,784 a square foot, about on par with the penthouse in the Apogee tower in Miami priced at US\$2,750 a square foot. (Frontier's report pegs overall affordability in Miami at 4.4 times median income.)

The same day Wong's comments landed, a release from Macdonald Realty touting Vancouver's appeal to foreign buyers arrived highlighting Manjeev Singh's sale of a \$15.9 million home on Belmont Avenue last year to a Chinese buyer.

Macdonald agent Dan Scarrow, who sold 10 residences in Coal Harbour to Chinese buyers last year for at least \$5 million apiece, said the influx of foreign buyers isn't linked to affordability measures.

"Interest rates are not a factor for buyers of really high-end properties as they do not need a mortgage," Scarrow said. "Wealthy for-

ign buyers are looking for a safe offshore investment and purchase luxury properties for cash."

Small surprise, then, that one of the key target markets for units in Millennium Water – the Olympic Village – is China, where investors are looking for offshore havens in the face of restrictions at home.

For the record

Ikea Canada public relations specialist Tamara Robbins Griffith was in touch following last week's press deadline with a further perspective on Ikea's recent purchase of land adjacent to its Richmond store.

"Ikea has purchased land adjacent to the Richmond store for investment purposes," she wrote. "There are no concrete plans to expand the store on the newly purchased site."

Rezoning and subdivision applications filed with Richmond affirm Ikea's plans to "replace and relocate the existing Ikea store," however, although the original 2002 development permit application that called for a 334,000-square-foot store was withdrawn.

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