

TIMES COLONIST

Vancouver real estate: How high can it go?

John Mackie | Vancouver Sun

May 17, 2016 07:42 AM



This 1907 house at 640 Union St. in Vancouver's Strathcona neighbourhood sold recently for \$1.85 million.

Photograph By Arlen Redekop

Realtor Rick Stonehouse recently listed a 1907 heritage home at 640 Union St. in downtown Vancouver's Strathcona neighbourhood for \$1.649 million.

It attracted three offers and sold in a week for \$1.85 million — \$200,000 over asking.

But that's hardly rare in today's hot Vancouver housing market.

Stonehouse recently wrote an offer for a client on a 1910 heritage house at 1605 Salsbury in Grandview that was listed for \$1.25 million.

It received 12 offers, and sold for \$1.755 million — \$530,000 over asking.

Both homes are in east Vancouver, which until recently was the poor cousin of the west side. It still is, if you compare it to the prices in Point Grey.

Realtor Tom Gradecak set a new benchmark for a 33-foot lot in Point Grey when he sold a teardown for \$2.88 million in February. But another one just sold for \$3.1 million, and that house will likely be torn down as well.

"The new houses on (33-foot lots) are now over \$4 million," said Gradecak.

“Four million dollars for a 2,900 sq. ft house. The 50-foot lots, same thing, they’ve gone up. We did an appraisal for someone at the beginning of the year, and it was in the \$4.6/\$4.7 million range. We sold it yesterday with competing offers for \$5.4 million.

“While (the owners) were getting their power washing done, their windows washed, what people do to get their house ready for sale, they probably made 600 grand.”

The high prices have spread across the Lower Mainland. The benchmark price for a single family detached home in greater Vancouver was \$1.403 million in April — 30 per cent higher than it was a year earlier.

The world has taken notice.

The British property firm Knight Frank has a “prime global cities index” that tracks the rise in residential real estate worldwide. Vancouver was added to the list of “prime global cities” in 2013, and has topped the index for the last four quarters.

Knight Frank said there was a 26.3-per-cent surge in Vancouver between March 2015 and March 2016. The only other “prime global cities” with double-digit price increases were Shanghai (20.3 per cent), and Sydney (12.3 per cent) and Melbourne (12.1 per cent) in Australia.

All of which raises the question: How high can Vancouver real estate prices go?

Gradecak hears that question every time he does an appraisal, and lately he’s been doing two per day.

“Everyone asks where is this market going?” said Gradecak. “And honestly, no one knows.”

He likens the rise in real estate to a baseball game.

“One opinion is (the price rise has) just begun, we’re in the first or second inning,” he said.

“There’s so much wealth being created worldwide, and we’re supposedly the second or third best city in the world to live in, why would it stop?

“Then there’s the people who say this can’t continue, something’s going to happen — China’s going to implode, or the government’s going to do something. It may not be the bottom of the ninth, but we’re in the top of the ninth. Something’s going to happen, because you can’t have 30-per-cent increases every year.

“And there’s people in the middle who say long term, (that with) the number of people that are moving here yearly, it’s just supply and demand. (If) there’s 100,000 houses in Vancouver, right, and 1.3 billion people in China ... you could argue this is going to keep going on for a long, long time.”

Gradecak thinks the explosion in real estate prices over the last year was partly due to the drop in the Canadian dollar, which made Vancouver real estate more attractive to international investors.

“If the dollar goes down 20 or 30 per cent, the people who are holding U.S. dollars, the Chinese buyers, it doesn’t matter if they pay \$3 million today or \$2.3 last year, it’s the same thing,” he said.

“I don’t see a dollar dropping 30 per cent again, so maybe the rise won’t be as rapid. But I think we will see a slow and steady type of growth.”

By world standards, Vancouver is still something of a bargain. The price per square foot in Manhattan, for example, rose to \$1,497 US in 2015, or \$1,921 per sq. ft. Canadian. New luxury condos in downtown Vancouver average \$1,100 per sq. ft.

“I think it can go up another 25 per cent,” said Gradecak.

“I don’t think it’s going to happen in a calendar year, but I think over the next five to 10 years it could. Like, why not?”

“It has nothing to do with what kind of money you’re making or I’m making. It’s completely irrelevant as to what’s happening locally.”

Property broker Eugen Klein agrees Vancouver is now an international market, not a Canadian one.

“Twenty years ago Vancouver was always compared to Calgary and Toronto,” said Klein.

“Vancouver doesn’t get compared to those anymore — very little to Toronto, if at all. Now it’s all about what’s going on in Shanghai, in Hong Kong, in Sydney, in London and New York.”

The amount of offshore money, especially from China, being poured into the local market has been the matter of debate.

“It’s all Asian driven, come on,” said Gradecak.

“But it’s not necessarily offshore Asian driven, most of these buyers are local, local Asians. People that have been here for awhile, and they’re upgrading or looking for specific neighbourhoods, in particular anything that’s lot-value type property. A holding property is the hottest commodity.”

Zoning makes a big difference to many west side buyers, because the city has brought in some restrictions to try to slow the demolition of pre-1940 heritage homes.

“Houses that are built pre-1940 don’t have the same attraction because people are afraid the city is going to impose even stricter guidelines,” said Gradecak.

“People look at the age. If you have a post-1940 house, something you can tear down — well, you can tear anything down — but something that’s easier to take down, that’s a huge win for the seller, because they’ll get more activity.

“People will literally say, ‘How old is the house, how much can I build and when are you looking at offers?’ The

UEL (University Endowment Lands) doesn't have those restrictions, so it's a hugely popular area.

"Point Grey, RS1 (zoning), hugely popular. (But) we sold a house in Kerrisdale about three weeks ago, which is RS6, fairly punitive zoning when it comes to pre-1940 houses, and we got \$3.8 (million).

"That house should have gotten a lot more than 3.8. (But it sold for less) because you can only build a relatively small house on that lot."

Older character houses used to be the most coveted homes on the west side. But no more — the new buyers want to tear down and build new.

"It's funny how people used to pay premium for character," said Gradecak.

"Now it's a discount. It's just dumb luck for the sellers. At the time they wanted a character house, and guess what? Twenty years later, it's come back to bite them. If that was a Vancouver Special, we would have that thing sold."

Character homes are still in demand in some areas, such as Strathcona, which has a special zoning to protect its stock of pre-1920 homes.

The two-storey house at 640 Union is a good example of how the market has evolved in the neighbourhood, because it has been sold several times since 1975, when it went for \$38,500.

In 1977, it sold for \$40,000, in 1980 the price went up to \$55,750, and in 1992, it jumped to \$196,000. It sold for \$825,000 in 2006 and in 2013 went for \$1.1 million, which means it went up \$750,000 in the last three years.

"What happened with that one, which I think is happening with a lot of these places, is that people are not getting two or three places (they bid on) and by the time they get to the fourth or fifth one, they just put more money in the bank," Stonehouse said.

"They say, 'I guess I have to pay this much more.' Because that one on Union sold for a lot more than what most people would think that's worth."

Stonehouse thinks there are a variety of reasons for the dramatic rise in east Vancouver house prices. Prices on the west side are so high many people have been priced out of the market, and the east side has also become a desirable place to live.

"I think the people who bought that house on Union Street are moving from the west side," he said.

"They're selling their home on the west side for \$4 million and coming and buying a house on the east side for under \$2 (million). Putting money in the bank, and being in a place they think is a nicer spot."

There are also very few houses for sale, which drives prices up.

"There's more people looking in the market than there is product on the market," Stonehouse said.

“So for every house, there’s 10 people that want it.”

“It’s not just in the houses, it’s in apartments, too. Shaun who works with me sold his apartment downtown last year, right on Smithe Street behind Robson, for \$500,000.

“He bought a pre-sale over on First and Commercial and he didn’t want to have both. So he sold his place and moved with his wife into a rental. (His old condo) just resold again for \$600,000 a year later. That’s a little two-bedroom apartment downtown.

“But the place he bought for \$900,000 is now worth \$1.2 million, so it was a good move for him. All these places are going up. When the top end goes up, it pulls everything else up under it.”

Asked how long prices will keep going up, he replies “I don’t know.”

“I said that when I bought my house in Kits Point for \$195,000 30 years ago. People thought I was out of my mind. ‘Are you crazy buying that house for \$195,000?’

“I just resold it for \$4,130,000 a month ago, 1849 Creelman. Almost \$4 million more than I paid for it in 1980, 36 years ago.”

Unfortunately for Stonehouse, he gave up his interest in the Creelman house when he was divorced.

“My ex-wife has been in it for the last 30 years,” he said.

“She just retired.” He laughs. “She at least gave me the listing.”

© Copyright Times Colonist