

Crisis, what crisis?

The Vancouver real estate market won't likely crash, but let's plan for reality



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SPECIAL TO WESTCOAST HOMES

REAL ESTATE MATTERS

The future of the real estate market — that was, until spring, on what seemed like an endless trajectory beyond the stratosphere — is this month's subject for ponder.

Just as we hate to admit that seasons do change, there are those who don't want to admit that real estate markets are cyclical and the signs of the latest downturn are appearing as surely as October's leaves will foretell the end of our brief respite from winter's rain.

No one wants to be the bearer of doom and gloom, or the one to create a self-fulfilling prophecy, but the cautionary whispers heard only a month or two ago have turned into frank talk about a different world that is unfolding.

That world is one where the fundamentals that drive residential real estate demand have now eroded and the downturn has arrived in Canada.

The U.S. credit crunch brought about by hordes of over-leveraged consumers and wartime public debt, the onslaught of inflation spurred by rising energy prices and the jump in the Canadian dollar, all combined to point to concern about the short-term resiliency of our nation's economy.

Will it all spell a crash for residential real estate in Vancouver? Probably not. However, our local residential real estate market isn't immune.

While Vancouver has become a destination for real estate investments, especially from individual international investors looking to park their dollars in condominiums in our livable urban core, the biggest driver for real estate demand — especially demand for new homes outside the downtown core — is still local job creation.

Some are suggesting that prices have already begun to fall in markets across the region, but this "adjustment" is explained as little more than unrealistic targets falling way to realistic pricing.

Meanwhile, employment levels still remain at record highs. When many of the big job-creating construction projects begin to wrap up next year in advance of the Olympics, a drop in employment could see a corresponding drop in demand for new homes, especially in the suburbs furthest from downtown Vancouver.

So, what is the frank talk? It is not about a crisis. It is simply about good business planning — the kind of planning that can help to avoid a crisis. The talk is really about the necessary risk calculations needed before launching new development projects.

While much of the rest of North America ponders doom and gloom, here in Vancouver we plan for reality.

At the same time, there is no better symbol of the awesome impact of a real estate boom and the way in which development can transform a city than what is rapidly taking shape on False Creek's southeast shore. The second-to-last piece of the puzzle in a livable inner city has risen out of the ground faster than any other development that had ever taken place in Vancouver.

A few weeks ago, I counted 11 construction cranes towering over the Olympic Village and the vast collection of other multi-family residential buildings that will soon define an entire new inner-city neighbourhood.

Amazingly, less than two and a half years have passed since Vancouver city council stamped its final approval on the master plan for this new Southeast False Creek urban village. Fine-tuning the plan, designing the buildings and the public areas, working out all the engineering details, obtaining the technical approvals and launching construction on numerous individual projects across the expansive site all happened at lightning speed since.

All of this effort and ingenuity will result in a new neighbourhood that promises to set the bar as high as it has ever been set before in Vancouver. A new form of density — midrises, instead of highrises — and a new commitment to neighbourhood sustainability will be a great model for the form of development we might see in the future in other parts of the city. Hopefully, the process of getting the job done will also serve as a model for what can be accomplished efficiently and expeditiously if there is a determined joint commitment shared among city officials, the design community, developers and citizens.

Enjoy summer while it is here.

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