

Five-per-cent increase a year for 30 years is real cycle news

Local market neither boom nor bust, but balanced



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REAL ESTATE MATTERS

Free-falling stock markets. Bank mergers and bankruptcies on Wall Street. The U.S. credit crunch. Slowing real estate sales.

All of this makes for great headline news. Much of it is bound to create a certain amount of fear if not panic among some.

But behind the sensational headlines is a good news story for homebuyers.

Before I outline that good story, I must admit that a turn in the economic trend line brings uncertainty and with uncertainty there are both challenges and opportunities.

Most of the challenges are about timing. When will we feel the pain locally? How long will the downturn last? When will markets bottom out? How long before interest rates begin to rise?

Timing is hard to predict and we know that in making important decisions, timing is everything. But if you are in a position to buy a home today there has never been a better time to buy than today.

Will there be a better time at some other point in the future? Maybe. It all depends on your individual circumstances.

The reality of long-term real-

estate-market trends suggests that if you buy today and you intend on living in your home for more than a couple of years, the odds are that your investment in your home will be secure.

Real estate markets are cyclical but despite their ups and downs, home prices in Metro Vancouver have appreciated, on average, more than five per cent every year for the last 30 years.

That's the good news that is inherent in investing in a home. If you are buying to live in your home, you couldn't be making a better investment.

If you are closely monitoring market cycles to look for an especially opportune time to enter the market regardless of the personal circumstances that might impact your decision to buy, the short-term trend line is heading in the right direction.

Since 1980, home prices in Metro Vancouver have gone through three cycles where prices have risen significantly and adjusted downward again.

The first peak was in 1981, followed closely by the 1982 market adjustment that was felt across North America, with prices bottoming out around 1985.

Prices recovered to 1981 levels by late 1988 and continued upward to peak again in late 1991.

Then there was another shorter adjustment, but when average home prices bottomed out in 1991, they were still significantly higher than the 1985.

Our economic malaise in BC in the mid-1990s led to a longer decline in home prices between late 1994 and 2001, but again prices never even came close to sliding below 1991 levels.

The boom we have just experi-

enced had the steepest climb, starting in 2001. Housing affordability became a top-of-mind issue for almost everyone because prices appreciated much quicker than incomes in a market where supply didn't keep pace with demand.

Looking at the long-term trend line shows that we have been through anything but a normal market.

So, the real good news for homebuyers is that we are heading into a normal market. Supply and demand will be much more in balance.

Call it a buyer's market if you wish. But as buyers begin to realize that it is a good time to buy, supply will get eaten up. But this new demand driven by opportunity won't mean a spike in prices. Despite tighter financing conditions for new real estate projects because of the fallout from the U.S. credit crunch, developers will be able to justify new project because buyers are steadily consuming product in a buyer's market.

That's how a normal market works.

On a long-term chart, we will see this next period displayed with the trend line that shows a peak a few months back and a small downward dip followed by a gradual readjustment over the next couple of years. Looking way back, prices will have appreciated considerably, whether you are measuring the top of our current cycle or the bottom we haven't yet experienced.

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