



Home Owners are B.C.'s New Millionaires

Number of \$1-Million Homes Jumps by More Than 100 per cent in Two Years

Summer, 2005

More and more British Columbians are becoming real-estate millionaires, with the province's surging housing market helping to create more than twice as many million-dollar single-family homes in 2005 as there were just two years ago. Earlier this year "The Cindy Russell Team" informed you that the White Rock/South Surrey area continues to be Canada's number one luxury home (\$800,000+ CREA) market for owners and investors alike. That has not changed, what has changed is the percent of \$1 million plus properties we now have available and the significant amount currently being built throughout the various neighborhoods. From "The Hillside," "Marine Drive," "Crescent Beach," "Morgan Creek" and everywhere in between – more and more \$1 Million+ home owners are relocating to our gorgeous Peninsula.

And what's more, the province's collective real estate wealth is predicted to keep on rising.

"Prices have gone up, there's no question about it," said Stanley Hamilton, professor at the University of B.C.'s Sauder School of Business. "The last two or two-and-a-half years have been very strong years in the real estate market."

The growth in real estate wealth in British Columbia has been explosive. In 2003, there were 5,776 single-family homes worth \$1 million or more on the province's assessment rolls. That number jumped more than 32 per cent in 2004, to 7,633 homes worth more than \$1 million. The blistering pace continued in the 2005 assessment, with 12,205 homes worth more than \$1 million -- a 111.3-per-cent increase since 2003.

"We see these numbers, and what it reflects is people who got on the wealth ride," said David Baxter, executive director of the Urban Futures Institute, a non-profit society that does research on changes affecting population, community growth and land use.

"Six years ago, we were talking about how all the high-tech millionaires were coming up and buying in Whistler. We now have a different generation of people who are wealthy and much of that wealth came out of real estate."

B.C.'s most valuable house in 2005 was in West Vancouver, a city known for its expensive homes. The 3330 Radcliffe Ave. home was assessed at a cool \$15.2 million. A mining entrepreneur bought the waterfront mansion for \$17 million last year and it's now on the market for \$19.8 million.

The Lower Mainland traditionally has B.C.'s most expensive real estate, but this latest land rush is seeing an intense transfer of wealth to other areas of the province.

Take, for example, Coldstream, which is near Vernon. This community, whose motto is "rural living at its best," saw the number of million-dollar homes increase from one to 34 between 2003 and 2005?

Other large increases in real-estate millionaires occurred in Tofino (from one to 33), the Central Okanagan area (from five to 124) and the Sechelt area (from 50 to 70). Whistler, on the other hand, decreased from 1,081 to 1,055 million-dollar homes.

The march of wealth throughout the hinterland is a trend that's not going unnoticed.

"In terms of the 40-and-over Lower Mainlander, the image of success in life is rural property," Baxter said. "I think what triggers people to go to these locations is that they are high amenity, very attractive. They tend to not be working agricultural landscapes in that they don't have manure-spreaders. They tend to be ranch lands or coastlines, that sort of thing."

Low interest rates and inflation are to blame for escalating house prices -- or to thank, if you stepped onto the real-estate-gravy train some time ago.

For example, if you were an average purchaser buying a typical house in Vancouver in 1991, you could now upgrade to a \$950,000 home, according to an Urban Futures Institute study. This number was calculated by looking at increases in the fictitious purchaser's income, changes in interest rates and the rise in the price of the average house.

"The numbers shocked me," Baxter said. "It was this modest family buying this little house. I'm not talking about high rollers; I'm talking about the average."

Thirty-four per cent of the increased purchasing power was due to upward pressure on sales prices, which includes the effect of inflation.

But 44 per cent was caused by the fall in the interest rate, which was 10 per cent in 1991, according to Baxter.

The Lower Mainland still has the province's most expensive real-estate.

The largest number of million-dollar properties continues to be in Vancouver, with 5,375 single family dwellings worth more than \$1 million in 2005, up 58 per cent from 3,388 in 2004 and almost double the 2,751 million-dollar Vancouver homes in 2003.

Next is West Vancouver, where the number of million-dollar homes was 3,055 in 2005, up 55 per cent from 1,977 in 2004 and 87 per cent from 1,631 in 2003.

For West Vancouver, that means an astonishing 26 per cent of single family dwellings top the million-dollar mark. In Vancouver, the number is a less-astonishing six per cent.

Waterfront is the reason for such high values in West Vancouver and some areas of Vancouver such as Point Grey Road, said Georges Pahud, president of the Real Estate Board of Greater Vancouver.

And waterfront is probably the reason the number of million-dollar properties has also risen dramatically in Belcarra, located on Burrard Inlet just west of Port Moody.

Belcarra, population 700, saw the number of million-dollar homes increase from three on the 2003 roll to 31 in 2005.

Belcarra's administrator, Moira McGregor, attributes the large increase to recent sales in the \$1.6-million range and the fact that the B.C. Assessment Authority had not done an actual on-site assessment of the area for a few years.

Nearby Anmore, population 1,400, now has 19 million-dollar homeowners, where it didn't have any two years ago, despite being landlocked.

Helmut Pastrick, chief economist with the Credit Union Central of B.C., said low interest rates are the main stimulant to housing market activity and increasing prices.

However, low interest rates would likely not affect a decision to purchase 3330 Radcliffe. At the current posted mortgage rate, a typical buyer paying the \$19.8 million-dollar asking price with 25 per cent down (that's \$5 million), would face payments, including tax, of almost \$100,000 a month.

Yet for the average buyer, as long as interest rates remain low, as Pastrick thinks they will, house prices will continue to rise.

Baxter agreed house prices are more likely to stabilize than drop.

"It's not a bubble," Baxter said. "It was driven by some fundamentals -- the major one being interest rates."

Sauder's Hamilton, however, thinks prices could go down when interest rates go up, but he agreed there isn't a bubble that's about to burst.

"I think there will be some correction when interest rates go up and interest rates will go up," Hamilton said. "They are at a historical low."

But at the most, the increased rates will be inconvenient, Hamilton said, and not devastating like the drop in prices in 1979-1980, when there was a significant market correction.

"We have not gone as far overboard as we did back then," Hamilton said. "I don't think prices have gone up as rapidly over a short period of time. And right now our economy is in pretty darn good shape. We're attracting new money to this province like we haven't done for a number of years. So there are some healthy underpinnings."

An increasing population and the coming Olympics will put continuing pressure on the housing market, Hamilton said.

What Hamilton worries about are people who have overextended themselves by buying without any down payment. When interest rates go up, he said, there is "potential to get hurt."

"My biggest concern is that there is a segment of society right now that has gone overboard in terms of risk," Hamilton said. "They have got too little invested and are too overextended on their debt to buy real estate and any correction is going to hurt that slice in the market, and when you hurt one slice in the market it has ripple effects."

Generally, people should only spend about 30 per cent of income on housing, Hamilton said, and usually that's all a bank will lend. But in a study released by the Royal Bank of Canada's economics department last week, RBC found B.C.'s housing affordability index to be 53.7 per cent for a detached bungalow in the first quarter of 2005. The index measures the proportion of pre-tax household income needed to service the costs of owning a home.

But despite increasing prices, and RBC's housing affordability index, the level of home ownership in Canada has not changed, Hamilton said, as two-thirds of the population continues to be home owners. It may be they are buying farther outside the city, or a smaller house than they would ideally want, Hamilton said, but they are still buying.

Cameron Muir, an analyst with the Canada Mortgage and Housing Corp., said a trend toward higher-density housing such as condominiums and townhouses has kept housing affordable for Vancouverites.

"In terms of the market itself and how the development community is responding, they are producing new homes at the price ranges the average household can afford," Muir said. "And the evidence of that is obvious in the number of sales and the number of new homes under construction today."

A large portion of the marketplace is looking at homes between \$250,000 and \$350,000, Muir said, and if people want to live in the city core, that means a condominium. If people are willing to move out of town, they can afford a townhouse or a house on a small lot.

The recent "2005 White Rock/South Surrey Visitors Guide" real estate article spoke to the issue of this luxury housing market as well as the ever present "retirement population" within the White Rock area. With more than a few ambitious luxury condominium projects slated for the near future all areas of the White Rock/South Surrey housing market are really set to take off – for the long term.

Cindy Russell is known in White Rock as "The Queen of the Hillside" and "The Cindy Russell Team" is increasingly becoming "The" choice by White Rock/South Surrey residents for all of their real estate needs. She was the only real estate agent nominated by your White Rock/South Surrey Chamber of Commerce for "Excellence in Business Customer Service!"

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