



## 6 Unbelievable Facts About Vancouver's Real Estate Market

### Description

There aren't many asset classes in the world that have performed better than Vancouver real estate.

June was an amazing month for folks who own property in the Greater Vancouver Area. The benchmark price hit \$917,800—a new record high. Prices were up 3.2% compared to May and 32.1% over the past year.

Vancouver real estate is among the most expensive in the world, and gains seem to be accelerating. In other words, the bubble is still very much alive.

Here are six more amazing facts about Vancouver real estate.

### **\$3,500,000**

If you thought an average price of more than \$900,000 was impressive, you ain't seen nothing yet.

Detached prices are even higher. The price of a detached house in the market averaged \$1.561 million in June, an increase of 38.7% compared with a year ago. Prices are even higher in certain neighborhoods; the average detached house in West Vancouver hit more than \$3.5 million.

In most parts of Canada, \$3.5 million is enough money for people to quit their jobs and live a life of leisure. In West Vancouver, it gets you an average house.

### **\$4,400,000**

According to projections from Vancity, British Columbia's largest credit union, by 2040 we'll all be reminiscing about cheap Vancouver real estate 15 years from now.

Vancity predicts the price of an average detached house will hit \$4.4 million by 2030, an increase of 182% compared with today. This means Vancity assumes prices will continue to increase by more than 7.5% per year for the next 14 years.

**1,200,000**

According to a study by Metro Vancouver, the population of the lower mainland is expected to swell considerably over the next 25 years.

The study estimates approximately 1.2 million people will move in the the Vancouver area between now and 2041, increasing the population of the metro area to a little over 3.4 million people. That's an increase of 50% more people than today.

**3.5%**

Cap rates are what investors use to determine the profitability of a real estate investment. It measures the annual return on a property after the landlord has paid operating expenses, including property taxes, but before taxes on profits.

These days, the average Vancouver cap rate is approximately 3.5%. After paying 2.5-3% annually in mortgage costs and taxes on the profit, there isn't much cash flow left over. Investing in Vancouver real estate has become a bet on higher prices. Any anemic cash flow is just a bonus.

**23.7**

According to Numbeo, a website that measures the cost of living in cities around the world, it would take 23.7 years of rent for a tenant to pay for an average property in downtown Vancouver. The ratio does dip a bit if you move away from the city centre with the price-to-rent ratio coming in at 21.4 on properties further away from downtown.

**\$7,532,000,000**

**Canadian Western Bank** ([TSX:CWB](#)) is a big player in Vancouver's real estate market.

The company doesn't break down the location of its loans on a city-by-city basis, but we do know it has more than \$7.5 billion lent out to folks in British Columbia. We also know mortgages to B.C.-based borrowers were up 21% in the most recent quarter compared with the same quarter last year.

If Vancouver's real estate market really starts to tumble, investors will likely take it out on Canadian Western Bank. In other words, they'll sell now and ask questions later.

### **What should investors do?**

Pundits have been saying Vancouver's real estate has been overvalued for years, yet the market keeps chugging upwards. If anything, gains are being amplified—not slowing.

Many folks are convinced the market is in a bubble. There's plenty of evidence to support this theory, including high price-to-rent and price-to-income ratios, as well as stories making headlines about questionable real estate agent practices.

But at the same time, there's plenty of evidence the market can continue to stay hot. Bulls point to things like migration into the region, rich Chinese investors still aggressively buying, a lack of supply,

and low interest rates as reasons the market could stay high.

Personally, if I lived in Vancouver, I'd sit on the sidelines and rent. Renting is more affordable than ever, and I would like the option of quickly leaving just in case a real estate crash spread to the rest of the economy.

## **CATEGORY**

1. Bank Stocks
2. Investing

## **TICKERS GLOBAL**

1. TSX:CWB (Canadian Western Bank)

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