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Real Estate Investment Think Bob Bracken

So Real Estate Is a Great Investment - Why Vancouver Real Estate?



So Real Estate Is A Great Investment - Why Vancouver Real Estate? By Bob Bracken

“Can prices go any higher!?” Every year people ask this question about real estate in the Vancouver area. For local investors, this is a critical question as investment returns here rely heavily on capital appreciation of the property. Before predicting the future investment potential of Vancouver real estate, however, it is useful to consider what has happened here over the past 5 decades. I first did this analysis in 1995 - almost 20 years ago - and when I revisited it in 2010, I was struck by how consistently increases in Vancouver Real Estate values had continued over time.

The Real Estate Board of Greater Vancouver has kept a record of average home sales prices (of MLS sales) going back to 1960. These average sales figures are calculated by dividing total dollar volume of all yearly sales by the total number of sales in that year. The figures don't show a value history for any single piece of real estate, but are great as a measure of the trend in values for all properties during these years. From this broad analysis in 2010, a number of interesting facts emerged:

- The average price of a Vancouver home in 1960 was \$13,105.
- In 1994, the average price of a Vancouver detached home was \$303,535.
- This change, from \$13,105 to \$303,535, represented an increase of 9.7%, compounded, each and every year from 1960 - 1994 (34 years). Impressive!
- In 2010, we reviewed this analysis to see if this value increase rate had been sustained through 50 years.

- Through the end of September 2010, the sales statistics for detached homes in Vancouver were:
 - Van East: 1286 sales: Total \$\$ = \$990,591,739
 - Van West: 1329 sales: Total \$\$ = \$2,577,824,750
 - Avg Price 2010: \$3,568,416,504 / 2615 sales = \$1,364,595
- Compounded % change 1994 - 2010 (16 years) = 9.8%;
Compounded % change 1960 - 2010 (50 years) = 9.7%.
- When leverage is considered, properties bought with a 25% - 35% downpayment have given Vancouver owners an average rate of return on initial investment of 28% - 38%, compounded, for over 50 years!
- This look back demonstrates what most of us already know, namely that the Vancouver area has been a fantastic place to build wealth in Real Estate over the past 5 decades. For those of us suffering from the “coulda, shoulda, woulda's”, do we still have the same chance to do this, or have we missed the boat?

What Economic Fundamentals Are At Work To Sustain Value Growth?

- A City with a Global Reputation for Live-ability benefitting from: Long Term, Bright Economic Outlook; Steady Population Growth; Limited Supply of Land, and Land Based Housing: etc, etc.
- This positive outlook makes sense - until you watch the evening news. **So, don't watch the evening news!**

The Major Determinants of Wealth Building For Vancouver Property Owners Has Been the Decision to Buy, and the Ability to Hold. Is This Simple Strategy Still Workable? See [Case Study: Vancouver Real Estate, Can Prices Go Any Higher!?](#) that illustrates the above financial, economic model. The Case Study was originally done in Oct 2010, with an update as of Dec 2013.

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