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High-priced Vancouver losing residents

Commentary: Alberta oil field jobs a major magnet

By Bill Mann, MarketWatch



VANCOUVER, B.C. (MarketWatch) — If Vancouver is one of the three most livable cities in the world, why are its young residents increasingly moving to other provinces?

Hard on the heels of The Economist Research Unit's just naming this British Columbia metropolis one of the world's three best cities to live — just behind Melbourne and Vienna — comes word from the provincial government that "young people are fleeing B.C. in big numbers," as one daily's headline put it, citing new government numbers from B.C. Stats.

This is happening just as Vancouver's red-hot housing market — easily the priciest in Canada — is finally starting to cool, with sales stagnant and prices finally starting to drop a bit. The price of an average single-family detached home is still hovering around C\$800,000. For some, home prices here just weren't dropping fast enough.

The latest government numbers show that from January to March this year, 2,554 people, mostly Vancouver-area residents, left B.C. for other provinces. That's an eye-popping jump, accelerating a negative trend started last year when B.C. logged a net migration loss to other Canadian provinces of 1,920.

The chief economist for Central Credit Union 1, confirmed that B.C.'s out-migration "seems to be accelerating."

Every time I visit here, which is often, more and more 'For Sale' signs have popped up in front of Vancouver homes and condos.

I've seen this movie before — in pricey Sonoma County wine country just north of San Francisco where my wife and I sold our home and decamped to a town in Washington state just south of B.C. We're California "equity refugees."

Years ago, just like in Vancouver, young families were increasingly being priced out of Sonoma County. They finally gave up and moved elsewhere, often to adjacent Lake County, where housing prices were/are much lower. People like former Citibank CEO Sandy Weill are now moving to ultra-gentrified Sonoma wine country.

And when the housing market appeared to finally be leveling off in the Bay Area in 2006, we started seeing more and more "For Sale" signs — just like now in Vancouver.

Why? After 15-plus years of steadily increasing home prices, people wanted to sell at the top of the housing market. Vancouver realtors have told me that's what's happening now. Except, that is, for non-homeowners — they're leaving B.C. and going to someplace else where they can afford a home.

Canadian news reports say that many of those young families leaving B.C. are heading for Alberta, where oil-patch jobs are going begging. I've even seen advertisements for jobs near Calgary appearing on the San Francisco Chronicle's website recently.

But, many are wondering — and Commenters here have long predicted — is Vancouver headed for a disastrous popping of its supposed housing bubble, as happened in the U.S., a pop that will cause Vancouver home prices to plummet? We sold our home in the prime Pinot Noir-growing Russian River area north of S.F. in 2006, and it recently had lost 60% of its value, according to real estate website Zillow.

I don't think Vancouver has the same kind of housing bubble California and the U.S. had.

For one thing, this city's seen, and is still seeing, a huge wave of cash coming in from China, boosting home values. While it's true this makes B.C.'s housing market reliant on the Chinese economy, many of those homes bought by Chinese were bought with hard cash, not highly leveraged, U.S.-style funny money (subprime loans, etc.). Plus, Canadian banks have much stricter lending standards than their U.S. counterparts.

Also, many of the homes bought by Chinese immigrants here are second homes. "They're insurance policies for wealthy Chinese in case things in China turn south," a Vancouver realtor told me recently. "Some of them are vacation homes, and sit empty. They're seen as insurance policies for a rainy day."

Still, many keep insisting Vancouver has a housing bubble that's about to burst.

I may be proven wrong, but I doubt it. Vancouver's mild climate and progressive green government make this city a magnet for many Canadians who endure frigid winters in 95% of the country. Demand, in other words, isn't going away. Canada doesn't have a lot of temperate areas that are attractive to aging Boomers.

I volunteer at the visitor's center in Port Townsend, Wash., just across the water from British Columbia. Because of the strong Canadian dollar, I see more Canadian visitors all the time. Almost all of those I speak to who live in or near Vancouver love it, and Canadians I see from places like Ontario or Manitoba — or Calgary — tell me they'd love to move to Vancouver. As long as the Canadian economy remains strong, the demand for Vancouver housing isn't going away.

Yes, you could certainly argue that the good-winter-weather attraction also applies to places like Florida and Arizona, where there have been major housing crashes.

But there are significant differences in our two countries, especially in mortgage lending.

And besides, I'd bet that if Vancouver home prices continue to fall, many of the young people leaving this province will head back.

Analysts are saying that Alberta's rapid, oil-sands-fueled growth has been the major attraction for departing B.C. residents. But ... those oil jobs in Alberta could start to decline if all that crude can't get to foreign markets in new or expanded pipelines to B.C., pipelines that face significant hurdles.

Bottom line: Vancouver is a vibrant, bustling and diverse city with great restaurants, extensive and much-used public transportation, plus safe, abundant parks and good neighborhoods. It certainly seems like the city of the future.

And I don't see any of that going away, even if housing prices drop. And if they do drop, the recent out-migration from B.C. might well reverse.

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