

# Rent a house or buy a house essay sample



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## Introduction

Vancouver is one of the prime location for individuals seeking places to rent or but a house. Real estate is one of the booming businesses but it has been adversely affected by the changing economic conditions that have hit the global financial market. The period prior to 2007 depicted unprecedented growth in real estate but dramatically slowed the pace from mid 2007 to April 2009. A number of factors have contributed to the changing trends among them being demographic factors, employment, the economy, mortgages and price of properties. This report examines the influences of these factors through history, analyses the perceived impact of the much anticipated 2010 Olympic Games and draws a conclusion based on these findings.

## Price Changing

### History of Price Change

The beginning of 2009 witnessed a protracted reduction in the volume of houses being listed for sale in the Greater Vancouver being the lowest since the beginning of 1980s. According to the February 3<sup>rd</sup> 2009, report released by the Real Estate Board of Greater Vancouver, the home sales under apartment, attached and detached category dropped by 58. 1% in the month of January 2009 to a low of 762 sales from a high of 1, 819 sales during the same time in 2008. New listings under the aforementioned categories declined by 20. 9% from 4, 675 in January 2008 to 3, 700 new units in January 2009.

The MLS Housing Index which measures the benchmark prices further dropped by 10.9 % from January 2008 to \$ 489, 007 in January 2009.

Detached properties showed no promise either; they declined by a whopping 54.4 % from 641 units recorded in January 2008 to 292 in January 2009.

Consequently the detached property benchmark price measured by the MLSLink Housing Price Index decreased by 11.2% from \$742, 490 recorded in January 2008 to \$659, 638 in the beginning of 2009. Similarly apartment properties decreased by 58% from 860 sales recorded in January 2008 to 361 units in January 2009. The apartment property benchmark price dropped by 11.6% to stand at \$ 334, 602 given the \$378, 336 recorded during the same time in 2008. The attached properties benchmark price declined by 8.1% from a high of \$462, 627 in January 2008 to \$425, 309 January 2009.

The changes over the last one year are completely the opposite to what was witnessed during the period prior to December 2008. From the above graph, the period between December 2001 and December 2008 saw the benchmark price rise from \$357, 770 to a historic \$648, 421. However the sales under the three categories declined to 24, 626 units from 38, 050 units sold in 2007. The six months to December 2008 was characterized by falling prices in the residential category, a clear departure from moments seen in the last one decade. During this time the MLSLink Housing Price Index fell by 10.9 % with benchmark prices following suit by declining from \$ 484, 211 to \$568, 411 (REBGV, 2009)

Overall, house starts dropped by 71.3 % with landslide declines registered in Kamloops which recorded a zero sale in February 2009 (Smith, 2009)

Source: *Graph adopted from Jay Banks (2009) website on April 27, 2009 at <http://jaybanks.ca/>*

## Reasons for Price Change

### Economy

The buoyant and declining real estate listing, buying and selling have been as a result of the falling consumer confidence which has dropped to a historic low a fact that transcends the current economic clouds (REBGV, 2009)

According to Canada's Census Metropolitan Areas report released by Canada Mortgage and Housing Corporation (CMHC), cities are expanding and growing in terms of population hence the need for good housing. The report depicts that the 1990s showed great discrepancies in the terms of growth rates and component characteristics among the Census Metropolitan Areas (CMA). Consequently, housing was concentrated in major urban areas and recorded a remarkable growth in tandem with the increased demand. The second half of 1990s was characterized by increased housing construction in CMAs. Homeownership skyrocketed between 1991 and 2001. Besides the increased population, per capita incomes were on the rise and the falling mortgage rates accounted for the increase. The demand outstripped supply making rental and house prices to rise steadily (CMHC, 2008)

### Current growing population

Vancouver house industry has benefited a lot from the increasing migrant population with 30, 000 people moving into Vancouver from the other

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countries and provinces last year (2008) alone. Most of these immigrants are from other countries who first took rental houses before buying the houses. Those seeking jobs especially among the youth from the upcountry increased demand for houses in Vancouver. Following the retarding job vacancies in Vancouver, the unemployment level continues to soar contributing to the tightened market for jobs. This in turn creates a heightened demand for rental houses. The youth are leading among all the groups when it comes to employment in Vancouver. Part time jobs have been leading the park further contributing to the rental demand. CMHC projects that due to increased migration and changing demographic factors, there will be a steady demand of about 5, 500 new rental houses every year. The vacancy rate has in the past few years been kept low by the high demand for rental housing and this is expected to drop to less than 1% in 2009. Give the slowing economy and the tightening job market, rental demand is likely to ease in the coming years (CMHC-SCHL, 2009)

#### Predictions of Market Value

) Even though the increasing population between 1991 to 2003 caused an increase in the construction of houses, both for sale and rental, these did not offset the increasing demand especially in one out of six CMAs. Like other Canadians, residents of Vancouver have been faced with the challenge of affording a house. These have in essence created a core need for new housing in Vancouver especially among the renters (CMHC, 2009)

#### Economic in the lower mainland

The Aborigines are in higher need of housing besides those who live alone and parental households. Among the most affected groups are the women and the seniors without forgetting to mention the rental immigrant households (CMHC, 2009)

### Effects of the 2010 Olympics

The impact of Olympics on Sydney and Atlanta were remarkable. It caused the two cities to gain a global exposure, showcase local companies and most importantly attract international companies who have since established their facilities to do business. In Sydney alone brought overseas companies estimated at 550.

According to Young (2006) the 2010 Olympics will create a new demand for an estimated 450, 000-650, 000 sq. feet which will be required by the groups, organizers and the major contractors in Vancouver. About 300, 000 sq. feet is already rented by the Olympic organizers. Besides about 1, 750, 000-4, 000, 000 sq. feet worth of office space is expected to be leased by the year 2013. At the moment preparation are ongoing by the architectural, construction and engineering firms who are working the Olympic avenue in the process employing staff who are renting and busing houses in Vancouver. Already the Vancouver Organization Committee for Olympic Games (VANOC) has rented office space about 200, 000 sq. feet.

Contingents from 20 countries are expected on not less than four to six weeks period. Broadcast stations are already scrambling for broadcast space in Vancouver. The Olympic Committee has in the past rented large

mansions or even the whole estate, whole restaurants, retail stores, club houses among other facilities (Refer to Table 2 in Appendix) (Young, 2006)

## Conclusion

The 2010 Olympics is expected to bring in revenue and more investment in Vancouver which will turn increase the pace of development in real estate. Given that the real estate has been undergoing a slump in the past one year, the 2010 Olympics will definitely usher in an era of increased investment in real estate to cope with increased demand in Vancouver. The decision to buy or rent a house in Vancouver is an informed one and therefore investors stand to benefit from an improved macro-economic condition that is prevailing.

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