



Market Playbook

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This report is intended to be a guide for homeowners or prospective homeowners of single family homes on Vancouver's North Shore (North and West Vancouver). The content should help readers understand the multiple factors that will or may impact the price of these homes over a 3-5 year time horizon. Wherever possible, I've attempted to write in plain language and avoid excessive use of numbers and graphs in order to make it accessible to readers that don't indulge in the subject matter regularly.

Some of the factors that will be discussed at some length include:

- Demographic changes that affect both supply and demand
- Macroeconomic factors like the labour market and overall growth of the economy
- Past policy changes and possible future changes at all 3 levels of government
- Local trends and events that will impact supply/demand and the valuation of property
- How all of the above affects psychological decision-making of market participants

Preface

In my years of researching markets and economics, I've found human psychology to be the most fascinating aspect, often upending theories and data. This report will discuss psychology's impact on real estate valuation, a topic that has intrigued me since the early 2000s.

Traveling in my 20s, I shifted from reading fiction to non-fiction to understand the world better. My fascination with financial markets began in childhood, watching stock tickers with my father. One notable story was Bre-X, a mining company that collapsed in 1997, losing \$6 billion of investor money.

I studied market euphoria and panic, wondering if I was living through such a period in 2005. With the dot-com recovery, money flowed into US real estate and related industries. I began making bets against some of the more euphoric names. Despite initial failures, I persisted and eventually succeeded during the 2008 financial crisis, turning a significant profit.

This experience solidified my career path, leading me to further education and professional certifications.

I share my story not to boast, but to illustrate the vulnerability of navigating markets. After the 2008 crisis, I had the chance to turn my gains into millions by investing in depressed companies. Instead, I stuck to my belief that greed and fraud would be exposed, which didn't happen as I expected. This taught me that market irrationality can persist indefinitely.

I also viewed local real estate markets with some suspicion, expecting corrections based on historical valuation metrics like price-to-income and price-to-rent ratios. However, these metrics became outdated as North Shore real estate transformed into financial instruments for the wealthy, driven by unlimited credit availability and tax-sheltered gains. Of course, the area's desirability, with its low crime, excellent schools, and natural beauty, further fueled demand. The same reasons I chose to continue living here.

These experiences have given me a balanced perspective, benefiting my clients as a real estate professional. This report is neither a bullish promotion nor a bearish warning. My goal is to understand market behavior and its influences.

I hope you find it useful.

Demographics Is Destiny

Maybe demographics are not as deterministic as “destiny”. Not quite. But demographic influences certainly do impact real estate markets at both a national and a local level. Demographics also influence policy, psychology and the macroeconomy, so ignore the trends at your peril.

20 years ago, it was assumed that there would be a wave of baby boomers retiring and selling their homes in suburban markets like the North Shore and the selling pressure from this would keep a lid on prices until the incomes of younger generations caught up to the point they could afford it. Where did this thesis go wrong? First, it assumed baby boomers would all retire at 65. They didn’t do that. Most had just watched their silent generation parents retire from their post-war professions and live rather uninspiring retirement years. The boomers wanted to find a way to stay involved in their work while retiring. Second, they did not all sell their large homes and downsize. They wanted to stay near the city to enjoy events like the Olympics, Canucks games and reunion tours, and to be involved in the grandchildren’s day to day lives. Boomers wanted to do everything opposite to their parents.

Boomers wanted to “age in place” a term that didn’t exist before them. They were sitting on good nest eggs in their real estate and since they were still working didn’t have a need to cash out. Modern orthopedic surgery options and more active lifestyles even gave them the ability to navigate their larger properties for longer than before.

The result has been a larger and larger portion of the single family home stock occupied by the over-65 age cohort. It’s not our job to make judgement upon this trend as good or bad, but merely to acknowledge that it has been happening and may continue to happen (although we’ll talk about it again in the section on policy later). This has undoubtedly contributed to the low levels of supply in single family sales across the North Shore over the past 15 years and the associated upward pressure on prices.

The baby boomer generation will continue to age, and their homes will eventually be sold or bequeathed to a younger generation, that much is certain. The oldest of this generation are in their early 80s, so this may be a theme to keep an eye on over the next decade or so. But the real question is whether the GenX generation will continue the trend or again do the opposite of their parents. There’s a few reasons I can think of that may provoke a trend reversal. Firstly, most of GenX (the oldest being in their early 60s now) are quite tech savvy and the majority of their professional careers have taken place in the internet age. Remote work exploded during the pandemic forcing the remainder to adopt technology to some extent. So they will not necessarily have the same need to stay local in order to continue working past the typical retirement age. Secondly, boomers wanted to stay close to their kids and grandkids. *If* GenXers want to do the same, they might have to move away to do it because younger generations have little hope of affording life near the North Shore. Others might actually move to get

further away from their kids as they've stayed with them well into their 20's and 30's due to the same cost of living pressures.

Generational predispositions like this are very general in nature and many will buck the trends, so they shouldn't be considered absolutes. But changes in patterns *at the margin* are what have the effect on the overall market that we are trying to anticipate. I will be watching this closely.

Those are demographic trends that impact the *supply* of single family homes on the North Shore. There are other factors we'll talk about in the policy and local trends sections that impact the supply (spoiler: supply will contract gradually). What about demographic trends impacting *demand*?

It's no secret that the population of Canada has grown strongly and will continue to grow strongly at even the most conservative estimates of Statistics Canada¹. A steady portion of these new residents will flow to BC and many of them to the Greater Vancouver Area. What surprises most people is that this has not had as great an impact on the population of the North Shore as it has had on other areas of Greater Vancouver. Despite all the densification in areas like Lower Lonsdale and new city centre developments like Lions Gate Village, Lynn Valley Village and others, the population has not grown enormously. This densification has compensated for the downward trend in the number of people per dwelling as single family homeowners age in place.

Densification will indeed eventually bring more net new residents to the North Shore, and out of those residents there will be a larger pool of people aspiring to own a single family dwelling. This will help to put a floor under the price of homes. But it's important to note that despite aspiring to single family homeownership, few of these people are close to affording a \$2 million dollar property. At present, it requires approximate total income of \$400,000 to qualify for this kind of property; and that's assuming a 20% down payment is accessible (\$400k).

For the past number of years, these prices have found buyers making cash purchases, or oversized down payments, allowing them to lower their income requirements. Down payments are also being gifted, parents co-signing or other creative ways of making the math work have been found. Surely, that will continue to some extent. On the other hand, the narratives are beginning to change as reports² surface of young professionals and skilled immigrants reconsidering their commitment to living in big cities like Vancouver and Toronto. They are instead choosing more affordable markets in Canada or internationally where incomes are also higher, access to health care services are more reliable and quality of living ratings are improving.

While I do expect to see strong demand for single family homes despite prices that are out of reach for most, it should not be taken for granted that this demand will be sufficient to keep prices high or rising further. It should also be acknowledged that there exists a risk that not only does new demand abate

¹ Population Projections for Canada, Provinces and Territories: Interactive Dashboard

<https://www150.statcan.gc.ca/n1/pub/71-607-x/71-607-x2022015-eng.htm>

² <https://betterdwelling.com/this-weeks-top-stories-canadian-real-estate-markets-weaken-young-adults-flee/>

somewhat, but some recent purchasers rethink their decision and choose to relocate for the same reasons.

Psychology enters this discussion as well, as North Shore real estate has become renowned for its price increases over recent decades and attracted some people primarily as an investment, especially while savings rates at financial institutions has been near zero. A prolonged stalling out of price appreciation is all the more painful when other asset markets are rising and 5% interest offers are forgone just for the privilege of paying property taxes and other maintenance costs. For those with multiple properties and no particular tie to the location, the alternatives become ever more attractive.

Demographics Effect (headwind/tailwind) 2025-2028: Neutral

The Start And End Of Everything

One might read the above demographics chapter and think me a pessimist about the local market, or worse, a doomsayer. But that would be misguided because demographics are only a part of the story. The economy is the engine of everything and there's plenty of reason to think the future is bright in that regard. Of course, in the near term there may be cause for some alarm as well. Cycles are a feature of capitalism (not a bug to be squashed – a different perspective I have from many professional economists).

Following the pandemic and the epic barrage of public spending that attempted to compensate for the effects of public health measures, the economy had quite a bit of adjusting to do. GDP stabilized, but under the surface the composition of that *frankenumber* had changed quite a bit. Consumers were battling with the effects of high inflation on their everyday expenses. Businesses were making investments into operational shifts like remote work and changing their labour mix as a result. And at the same time millions of new residents, both permanent and temporary, flooded into the country. On a per capita basis, GDP has not been keeping up. Announcements have been made to slow the influx of newcomers, businesses are retrenching along with the average consumer who is getting squeezed by both higher borrowing costs and higher non-discretionary costs. It is only natural that this resolves with a recession, or something close to it.

A recession is something that is usually revealed in hindsight. By the time you know for sure that you had one, you're already out of it. Towards the end of 2025, it's quite likely that we learn the total output numbers for the second half of 2024 or first half of 2025 were negative. By that time, interest rates will have been lowered and businesses will need to start investing in inventory and expansions that will lay the groundwork for the next expansion. Government policy and the incentives in place will determine whether those investments will be made in ways that have multiplier effects, or if they will be temporary boosts.

The questions for real estate focused people like myself are whether policy changes and raw materials/labour costs change enough during this period to impact the input costs for housing development enough to create a positive environment for developers of single family lots and multifamily developments. While there has been recent zoning changes to allow for increased density and 3 dwellings on single family lots, the cost to acquire land and build one of these is not currently "penciling" to what the market will pay for the end product.

As an optimist, I think there's reason enough to believe that these changes will take place. With a modest reduction in the raw land price, reduced labour shortages, improved permitting timelines and lower carrying costs, the cost of development can begin to get close to where developers can earn a predictable yet modest profit by producing the housing units that we need so desperately.

There are other, less directly observable, factors that will contribute toward the growth of the economy over the next few years and beyond. One of them is everyone's favourite business buzzword of 2024: Artificial Intelligence. AI has become developed enough that many businesses are beginning to incorporate its power into their products. While it's not exactly at the point where it is creating the huge productivity gains promised, it's quite evident to see how it will eventually flow into the bottom lines. Where this may lead to job losses in some fields, it will create other higher-paying jobs. The high paying jobs are what we're mostly concerned with as real estate analysts – those are the ones buying homes. The next round of AI innovation will feature AI agents, allowing humans to give a task to a digital agent and to monitor the results, tweaking the instructions until the desired outcome is achieved. We are at the early stages of this technology. It won't completely remake everything like the internet did, but it will become ubiquitous over the next decade.

Cryptocurrency like bitcoin has been the only pervasive application of a broader cryptography and blockchain technology that has struggled to find its footing, as a tight web of regulatory largesse and protectionism of incumbent power lays the hammer down on many proposed uses. As the technology and its backers become more sophisticated and it becomes better understood, this too will change how businesses operate. Crypto's "killer app" has not yet been revealed, as it's so far just a wild west casino where fortunes can be made and lost. But the promise of cryptographic trust allowing for fancy concepts like disintermediation (cutting out middle men) still remains. Governments will also be confronted with very difficult choices in the coming decades: either find ways to drastically cut the costs of their services, or cut entitlement spending like pensions. Debt servicing costs are rising as a portion of total expenses, and the ones who own that debt will not tolerate profligacy indefinitely. Blockchain, when combined with the aforementioned AI revolution will offer them an out to reverse the administrative burden of their programs like healthcare, child care, and other social services.

While on the topic of healthcare, let's also take a moment to recognize the enormous advancements in medicines and therapies, vaccines, robotics and prosthetics. These are advancing rapidly toward eliminating (or at least minimizing the effects of) many of the most terrible diseases and ailments of humans. Everything from Alzheimer's, HIV, diabetes, malaria and many types of cancers are very close to becoming historical illnesses. Hundreds of millions of people will have the ability to extend their healthy lifespan significantly and they will spend increasingly on doing so. These new technologies consume a ton of investment capital but the benefits accrue in the decades to come.

Speaking of high upfront investment costs, which of my readers have just grown tired of hearing about nuclear fusion "being only 10 years away"? It's been that way for 40 years now, never seemingly getting any closer. But some of the major problems with the technology are finally being solved, meaning widespread commercialization could actually become a reality by 2040. Small modular fission reactors, geothermal energy, clean hydrogen power and advancements of battery storage are making the future of energy not only clean but also driving the cost of energy further toward zero. While great for our hydro bills (theoretically), this also enables yet more technological advancements as the cost of power is often the one thing preventing commercialization of something new (example: desalinated water to fertilize deserts and feed the starving masses).

Ok, let's end the utopia talk there. These things always take longer to get here than promised and usually come with some kind of new horrifying defect that makes our lives more miserable (think smartphones and their anxiety/depression inducing social media apps). The reason I go to the extent of mentioning them in this report is that there's always way too much emphasis on what's wrong with the economy, how the markets are elevated and about to crash, how governments are broke, climate change will destroy everything we hold dear, and how we are just spectators to Western Civilization's decline. I don't believe that, and I don't think people should make decisions on real estate based on scare tactics from peddlers of doom (it sells though!)

The point is, while there's good reason to think the economy will be a headwind in the next year to 18 months, there's plenty of cause for optimism longer term. The total size of the economy will likely double between now and 2050 and could do better than that if the right pieces fall into place. Don't bet against human ingenuity and the big problems getting solved. The ones who help to solve these problems will be rewarded handsomely and a small portion of them will want to relocate to a safe, friendly and naturally beautiful place that we already call home, keeping real estate values as one of the highest in the world.

Everything starts and ends with the economy. Taking a few steps back is helpful to those with a longer time horizon.

Economic Effect (headwind/tailwind) 2025-2028: headwind 2025, tailwind 2026 onward

Policy Without the Politics

Let me try to do the impossible and discuss policy as it affects housing and real estate values *without* getting political or throwing shade at policymakers. That's going to be tough, but it will hopefully give you better info than another partisan hacking of those holding public office.

For starters, I thoroughly believe that the vast majority of politicians of all stripes are well-intentioned. While they have differing ideologies and underlying value hierarchies that contribute to very different approaches to solving problems, they are all after the same thing: improving our quality of life. While it may look like they are sometimes actively trying to do the opposite, in their mind it is usually a compromise: let's help these people more at the expense of those people to achieve a better overall result.

Now that the niceties are out of the way, let's state the obvious: policy at all three levels of government has failed disastrously in their stated efforts to reduce the cost of housing. They have, in fact, contributed to the problem getting worse and are only just now accepting some culpability in that regard as their respective chances for re-election appear to be in jeopardy.

Housing is not a proscribed federal responsibility. It is provincial, which (via the Local Government Act) is delegated to municipalities to administer through zoning, permitting and other local bylaws. But that fact doesn't stop the electorate from directing their ire toward federal and provincial politicians when things go in the opposite direction as is deemed to be beneficial to society at large. So the feds have used whatever clout they can muster (and they have plenty) to influence provincial and municipal policy to force the results they want. They created a housing ministry, legislated investment funds and are

threatening to withhold other funds unless housing goals are met in some cases. The provincial government is doing much the same by strongarming local governments into adopting zoning rules that mandate the allowance of multiple dwellings on single family lots, and massively upzoning all areas within 400 or 800 metres of a transit hub.

In doing so, all governments have been attempting to shift the calculus of developers by giving higher allowances and lower community contribution figures in exchange for building rental purpose housing.

Some of these moves are long overdue. The supply of new housing has been constrained for decades both by vocal opponents to any development in their neighbourhoods (aka. NIMBYism) and through the application of exorbitant fees, permitting delays and complex building codes. By making the cost of building accessory dwellings or rezoning altogether so expensive, they effectively banned the practice altogether.

So there has been quite a bit of celebration (and photo ops) around these new rules and a good number of people still staunchly opposed, claiming it will ruin the character of their neighbourhood. Millions of new homes have been promised (4 million, in fact). But there's one problem: it's still not economic to build much of anything in this country, especially in the major metros. There are still too many fees, too many delays in receiving permits or obtaining the needed inspections, too complex of a building code, too few of key tradespeople, and materials which are too costly. But most of all, building requires a lot of financing and the interest paid on the borrowed funds are a large component of the total cost. High interest rates mean high building costs.

When it comes to large condo projects in Vancouver and Toronto, those which are nearing completion are experiencing a wave of investors, who put small amounts of money down, "walk away" from their deposit adding to unsold units and leading many developers to go bust in the process. The investors could not justify the purchase price with the financing rates available today compared to the rental revenue. In most cases, the numbers are not even close (one example I saw recently had mortgage, strata and insurance costs at \$4000 on a \$2800 monthly rent). It is these types of developers who need capital to invest in new developments near the transit oriented development areas. The same issue faces smaller developers who might purchase a large single family lot and turn it into 3 or 6 units.

So while the zoning component was an important step, it was only one of many which are needed in order for a boom in new construction leading to anywhere near the amount of housing supply needed for our growing population. Interest rates are now on the decline. Once they fall far enough (possibly summer of 2025), that component may allow for both developers to finance their projects and investors to purchase the market rental units upon completion. The earliest that supply can expect to hit the market is 2029. In the meantime, housing starts are collapsing toward historically low levels – the wrong direction.

From this situation we can make some conclusions with a fairly high degree of confidence:

- The millions of new Canadians and temporary residents that arrived to find completely unaffordable housing are not going to find new supply to meet their needs anytime soon
- The next million new arrivals will find themselves in a similar situation
- Millennials and Gen Z remain locked out of the housing market for the foreseeable future

- Developers will not be clamoring for development lots, pushing up prices of regular single family lots in the process until the projects start to “pencil”
- Development land has become less scarce than it was previously
- The political pressure will continue to build, most likely resulting in further interventions (more on that below...)

If you are a single family homeowner on the North Shore, what you can take away from the above is that the demand for your property will remain high from those who want to use it for living. But low from developers who want to use it for rebuilding. If you are in a position to add a dwelling (or 2) to the existing property, this might now be possible although the cost will be prohibitively expensive if the purpose is to rent the new dwellings.

More Changes To Come?

Neither the problem of insufficient supply nor unaffordable homes are being solved anytime soon, unfortunately. For either of those to be affected meaningfully, prices would need to drop by 15-20%, alongside a reduction in mortgage interest rates to under 4%, real incomes would need to rise, the pace of new Canadians would need to drastically slow, and the cost of building would need to fall or at least stop rising. Some of these things cannot happen simultaneously as they are mutually exclusive (e.g. rising real incomes and falling interest rates). The best that can be hoped for is the problem to not get much worse in the coming years until a wave of new supply can hopefully start a virtuous cycle that chips away at the problem over the next 10-15 years.

There will be plenty of rage in the meantime and it will be pointed toward governments at all three levels pressuring them to do more. Both federal and provincial Conservatives are polling highly at present, with promises being made to “eliminate gatekeepers” (referring to municipal permitting times and costs), tying infrastructure funding to new housing completions, cracking down on illegal money laundering, and reducing taxes. Political parties are characteristically short on details with policy proposals until they are elected. But if we are to take them at their word, some changes which could be possible include:

- Standardized pre-approved building plans (edit: these have already been tabled)
- Relaxed building codes
- Permit timeline mandates
- Revisions to the Residential Tenancy Act
- Release and repurpose of Crown Lands / Agricultural Lands
- Intentional reduction in allowance of newcomers to Canada (edit: already happening)
- Targeted reduced taxes on developers
- Elimination of mortgage stress test
- Mortgage interest tax deduction
- Other mortgage regulatory changes

If we're taking a longer view of the property market and projecting the impact of these types of interventions then policies more popular with left-leaning parties should also be considered.

- A revision of the Home Owner Grant Act (which reduces property taxes owing)
- Direct government ownership and funding of purpose built rental apartments
- Other subsidies and tax credits for developers or owners of target housing types
- Rent controls
- Further increase of the capital gains inclusion rates
- Home Equity Tax

Some other policy which is bi-partisan, but which could also affect the property market on the North Shore are related to infrastructure including a rebuilding of the Ironworker's Bridge, which may or may not also include the addition of a Skytrain route to/across the North Shore (more on that later).

These policies are not recommendations. From top to bottom, each list contains potential policies that would impact the property market, getting progressively more desperate and reckless. Some policies could be seen as plausible to have a positive effect on either reducing the cost of building (increasing supply) or reducing the demand for housing (aimed at "speculators" or other non-end users). Some of the other would almost definitely have the opposite of the intended effect. While being popular with certain political constituencies, these policies would either make homeownership more affordable by allowing people to indebt themselves further, or by increasing taxes and therefore reducing available income to pay for housing costs.

Over the next 10 years some of the policies from each list will probably be tried to some extent. Policies in particular that target seniors will become more popular as they are reduced to a smaller portion of the electorate. This is either "generational fairness" or "an attack on seniors", depending on the side one sits. But the rage of younger generations locked out of the housing market should not be ignored. Compounded by the clinical anxiety/depression stemming from phone-based childhoods, the feeling of being denied the chance to form a family and otherwise live at the same standard of living as one's parents is very powerful. As mentioned above, there is no path to relieving this pressure anytime this decade. The vitriol directed at older generations who seemingly "have it easy" will reach a fever pitch. Risking hyperbole, this will be a kind of inter-generational warfare.

Of course, seniors rightfully feel they are entitled to live however they want. For many "aging in place" is the lifestyle choice they've worked hard (and long) to afford. But while two people maintaining a 5BR house is quite expensive on a retirement income already, it's likely the above will continue imposing costs that seek to make it a more unaffordable option for many.

Unfortunately, what none of the above policy prescriptions will do is build more single family homes on the North Shore. If anything, they will continue to dwindle in number as they are gradually replaced with multi-dwelling properties. Policy is being focused on the number of housing units built, so the new supply will be in smaller units that help reach those objectives.

Policy Effect (headwind/tailwind) 2025-2029: Headwind; 2030 and beyond: Tailwind

All Real Estate Is Local

This is a commonly used expression for the real estate industry. It may exaggerate local issues somewhat (what, do demographics, the economy and policy not have any affect on real estate markets? C'mon!) But there are certainly local trends that have an enormous impact on the neighbourhood character and home prices.

In the past two decades, areas like Edgemont Village and Ambleside have turned from below average 'hoods into luxury markets. Lower Lonsdale has morphed into a destination for local residents making it a highly desirable place to live for younger generations. Yet neighbourhoods like Blueridge, Norgate and Caulfeild remain essentially unchanged in the same time and have lagged in price appreciation relatively.

This kind of incongruous price behaviour will occur again. If you are a prospective buyer on the North Shore and don't have a particular reason to favour one neighbourhood over another, trying to predict this could be a way to reduce some of the risk of entering the market.

Within the Official Community Plans of each municipality on the North Shore there can be found some evidence of areas that are likely to experience significant future development. Existing developments of Lions Gate Village, Seylunn ("Lynn Creek") and Lynn Valley are only partially completed. There will be more to come, making these "Town Centres" more self-sufficient communities that allow residents to live, work and play inside the community and reduce the pressure on transportation infrastructure. The Maplewood Town Centre has not begun yet in earnest, while Harbourside still has years before completion. Development along the Lonsdale corridor is sure to continue and begin to include redevelopment of some of the aging buildings on the cross streets. Completion of the new Harry Jerome Recreation Centre will provide a community hub for central and upper Lonsdale. In West Vancouver, an enormous development has been approved on British Pacific Properties Lands that will become Cypress Village.

Both the development isn't without its detractors. The North Shore is notoriously hard to get to and from given the 9 total lanes of traffic on the two bridges which serve as traffic bottlenecks. Adding a significant number of new residents will make this terribly worse without enormous investments in infrastructure. A replacement of the Ironworker's Bridge will be necessary at some point. It should involve an increase in capacity as well as widening of the upper levels highway where it is currently only 4 lanes.

Skytrain is held as the holy grail to solve all transportation issues. It would definitely help to make transit times to more parts of the city faster and eliminating the need for some vehicle trips. But the tradespeople who are building all of this new housing cannot afford to live on the North Shore and most cannot take transit (or bicycles). They need vehicles full of tools and materials. If you've noticed what type of vehicles are in line to get on the North Shore through the Cassiar Connector, it is a huge number of labeled vehicles and trucks – the same ones leaving at 2-5pm. This is the main reason for flipping of rush hours from 20 years ago when it was mostly people leaving the North Shore in the morning and returning in the evening from their Downtown white collar jobs. A good number of those people now work remotely, yet the overall traffic picture is still horrendous at times.

Skytrain also brings problems if it ever arrives. Stations across the city are also areas that experience higher levels of violent crime, drug use and thefts. Rapid transit gives us the ability to move around more efficiently, but with it come some unsavoury types – which the North Shore has been blissfully resistant to due in part to its isolation. “Be careful what you wish for” is the phrase that comes to mind. It may be a mere matter of time and it will certainly have an affect on property values in the immediate vicinity of the transit stations, much as it has along the Broadway corridor and the Cambie corridor before it. The most probable route for such a line would be across the same Ironworkers crossing, making stops at Phibbs Exchange, Lonsdale Quay, somewhere along the Marine Drive corridor (twice probably) and terminating at Park Royal.

The opportunities here would lie in the 800m surrounding stops along the Marine Drive corridor. I’m not a city planner or engineer by any means, but Capilano Mall and Lions Gate Village are probably good bets for stations. This would make the Mosquito Creek area (aka Hamilton), and parts of Norgate and Cedardale areas that would be covered by future upzoning.

This vision of the North Shore, with almost anything “between the bridges” and below the highway seen as densification zones will be a big change. It will leave outer areas as increasingly rare and likely luxury areas (even more so than already).

This gives two potential investment strategies: buy investment properties near these potentially new TOD areas, or buy SFD homes far outside which should hold value or appreciate solely on their increasing rarity.

Local Effect (headwind/tailwind) 2025-2029: Neutral; 2030 and beyond: Tailwind

Loss Aversion and Endowment Effects

Those are some technical terms but they both play an outsized role in determining prices of real estate, especially in a place like the North Shore. Endowment Effects are known in real estate as “value to owner” which refers to the tendency for property owners to value their property higher than the market would pay for it. They may even begin to value their own property higher than what they would pay for an exact replica, simply because they own it. Loss Aversion refers to the negative feelings people have about losing something (like real estate equity) oftentimes more than the positive feelings they felt when they gained it.

Psychologists have been researching these and other psychological biases to explain why people make such poor financial decisions. Without boring you, the cause of these biases are natural and ingrained in our brain’s wiring as leftovers from times when we hid from giant beasts and hunted our own food. It takes considerable effort to overcome them, even though there are now few beasts and we shop at grocery stores. Our fears have simply changed. Fear of missing out, fear of social ostracization, fears of our children’s future prospects.

A good real estate professional (or investment professional, advisor, etc) understands these biases and can help their clients avoid irrational decision making.

But psychology of market participants will nonetheless continue to play a large role in people's decisions. To some extent, the North Shore market is supported by endowment effects. Most owners are proud owners and regardless of market conditions, they will not sell their property for less than they think it is worth. The market is also supported by a very widespread (almost universal) belief that property markets never decline in price. For at least the past 30 years, this has proven correct in Vancouver, except for short-lived periods.

I don't have any expectations of these behaviours changing. But it's important to be aware that valuations of properties rest largely on *beliefs* rather than intrinsic value. Should that confidence be shaken for any reason, the loss aversion mindset may sink in – after all, it is typically a dominant bias over the endowment effect.

We can't identify all the reasons that confidence in the "prices never go down" belief could be shaken, but there are a few that come to mind other than those directly aimed at causing it (noted in the policy section above).

- Interest rates *not* going down as much as expected in 2025
- Condo prices dropping as newly completed inventory hits the market at distressed rates
- Prolonged price stagnation

We've talked about the first two in previous sections, but in regards to #3, closely aligned with the "prices never go down" belief is the "prices always go up" belief. Real estate ownership has been a one-way ticket to wealth creation for anyone lucky enough to have been able to earn (or be given) a leg onto the property ladder. Prices stagnating for a number of years, or only rising very slowly would dampen this along with the *fear of missing out* on an imminent "next leg up". A speculative impulse that has been brewing for 3 decades would take a lot to break completely. Should prices not deliver the appreciation needed by those expecting equity appreciation, investors could start looking to other financial markets.

Conversely, the speculative impulse could be given a second wind by any number of things including cheaper/more accessible financing, broad economic growth, or major local infrastructure announcements.

We should always keep in mind that whatever events or outcomes markets have planned for the future, they will affect the psychology of market participants more than they will have a dollar-for-dollar impact on pricing.

Psychological Effect (headwind/tailwind): Unpredictable

Conclusion

If you've actually made it this far (congratulations), it's my hope that you have come away with some ideas about *how to think* about real estate on the North Shore. By no means am I attempting to tell you *what to think*. I don't possess all the knowledge needed to do that and moreover, your own personal situation is so important that without knowing it thoroughly nobody should be telling you as much.

I do have my own baseline scenario for how I expect the market to materialize in the near future, intermediate and long terms. I also have outlier scenarios: less likely, but worthy of monitoring so the baseline can be switched if the facts on the ground also change. One thing's for sure: I will be actively looking for evidence to change these scenarios every day because I genuinely enjoy doing that work.

I'm hopeful that it results in the insight needed to help my clients through the largest transactions of their lives by making well-advised decisions.

Note: I made a conscious effort to not provide many citations for the data in this report (it's not being graded!) But if you would like to know the source of the info I've given, in most cases I'll be able to provide it upon request.

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