

After a year that saw catastrophic fires and floods, B.C. homebuyers face a new reality

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Consumers need to get educated, say industry experts who expect weather-related disasters to continue their assault on B.C., forever changing our property-buying decisions.

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At the end of June, British Columbians endured something new called a heat dome with record-hot temperatures followed by a fire that destroyed the entire town of Lytton. And two weeks ago, there was the “atmospheric river” that flooded communities in southern B.C., triggering landslides, busting up highways and destroying homes. Both extreme situations involved loss of life.

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It's time to get realistic about this "new reality," says Kelowna realtor Richard Deacon, who used to be based in Merritt, where he had acreage, most of it lost to the pine beetle. Today he lives near a forested area in Kelowna.

Consumers need to get educated, say industry experts who expect annual forest fires and other weather-related disasters to continue their assault on B.C., forever changing our property-buying decisions.

Although the Kelowna area was unaffected by the floods, Mr. Deacon has had clients from Vancouver and Alberta cancel because of news reports that they are cut off from road access. A few highways have reopened, but for essential purposes only, with expected delays. The situation, combined with a long summer of forest fires in the Okanagan, has some people questioning plans to move there.

"It's a big province and a big part of B.C. had no impact with what happened last week," Mr. Deacon says. "But there's a ripple effect that people are perhaps reconsidering the accessibility of a region like this. It has to impact it. How could it not? It doesn't look any different in Kelowna, but two hours down the road in Merritt it certainly does.

"If your romantic notion or your plan is to buy somewhere off the grid or more surrounded by nature, be smart about it."

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Mr. Deacon said he has many big-city clients who may not appreciate the unique challenges of property ownership in more rural areas. "[I deal] with a lot of people who come from urban centres and cities. While they might understand the mechanics of a house and property values, they don't necessarily understand the region. They want serenity and nature, but there's more to nature than chirping birds and a beautiful view."

For example, he says, if you are looking at buying a property with only one road in and out, imagine that road getting cut off and what that would look like.

“It’s something maybe realtors need to get more educated on, and certainly consumers do too.”

Mr. Deacon believes that realtors and other industry players, such as home inspectors, will have to become more experienced in property features beyond the foundations and roofs. They’ll have to know if a property has potential risk because of its geography, or if it already has endured a flood or fire, if it could happen again, or if there are issues such as potential landslides or well water purity.

“You may see different wording coming into offers, and different professionals or jurisdictional governments providing more education to consumers before they buy certain types of properties that are more rural. I think that’s a good thing, and something realtors and lawyers and insurance people could get better at.”

Patricia Houlihan, Vancouver realtor and environmental lawyer, said she’s seeing climate change have an impact on her client’s buying decisions – although she worries that people aren’t taking the issue seriously enough.

“Twenty-five years ago, they thought you were nuts if you believed in climate change, and they certainly didn’t think it would cause what’s happening now ... it’s devastating,” Ms. Houlihan says.

She’s had three clients change their minds on properties this year alone owing to potential risk zones, including a client who fell in love with an \$8-million waterfront property on the North Shore but decided against it because it was too close to sea level.

The others were looking in the Okanagan but were outbid on recreational properties. They put their searches on hold owing to what has become B.C.’s *annus horribilis*.

“Just in my client group, the fact that in one year, three people have re-evaluated the sanity of buying in [risk zones] and said, ‘We’re not going to do it,’ tells you something. And once that demand dwindles further and further, obviously it will affect all real estate prices. We are seeing that in Florida,” she says, referring to the drop in those areas vulnerable to sea-level rise.

Last year, her client put in an offer on a beautiful Penticton home, which had fires blazing in nearby communities at the time. Anticipating the insurer’s concern, she put a clause into the contract that said completion would be delayed until the insurance company was willing to underwrite the property. Her buyer had to wait until it cleared from risk of fire. But in the future, insurance rules could tighten, rates could go up and it could become difficult to get insurance and financing in high-risk locations.

Despite doom-and-gloom headlines, the situation on the ground is highly localized. Okanagan real estate continues its boom year. Penticton realtor Dori Lionello said that she’s typically seeing detached houses sell for \$50,000 over asking. Although the time it takes to close a deal is sometimes delayed, she hasn’t seen any deals collapse. She sold two properties this year virtually, sight unseen.

“There are bizarre forces that impact us, but I don’t find it deters people from living here,” Ms. Lionello says. “We don’t have excessive insurance costs, we haven’t lost any homes. We are watching photos of the Coquihalla [Highway], and I don’t know why we are so lucky here. I can’t see the impact here yet, I’m so localized.”

She also sees continued demand for waterfront, with a \$1.9-million home recently selling for \$2.7-million.

“I haven’t seen it affected. I had one client message me and say, ‘I am thinking twice about it,’ but it doesn’t cancel the desire.”

Mr. Deacon said it's also tragic that the hardest hit locations are in low lying areas where lower-income residents often live, in older housing stock and trailer parks. Often people don't have proper insurance, if any.

In Florida, a phenomenon called "climate gentrification" is under way, involving wealthy people buying homes at higher elevations, Toronto-based realtor Chris Chopik says.

Mr. Chopik has spent 18 years studying climate risk and energy efficiency, and he spoke at an Urban Development Institute webinar earlier this month called Doing Your Due Diligence – Buying Land in an Age of Climate Change.

Mr. Chopik, who works for Sotheby's, is an uncommon realtor whose clients tend to be concerned with issues of sustainability. He has studied extensively how climate change is affecting property values, and while the negative public perception postdisaster is usually temporary, it can also be permanent, such as in the case of Louisiana, which has been hounded by hurricanes.

He told developers that the new way forward is to build raised foundations, more expensive and efficient building envelopes and better ventilation systems in order to get ahead of risk. The new way to sell a project is to build in safety features and market them accordingly, especially if it's in a high-risk zone – which could be any market, he says. For buyers, he likens risk assessment of a home to a walk score.

"If I was buying real estate anywhere, I would be looking at the risks, because there is no place without risk. If you've got seismic risk, look at it. If you have flood or sea level risk, look at it. And look at the property you are going to buy and ask: Is it going to be underwater? Or can I buy it and invest in it in a way that is renovation for improved resale value, and that might include raising the house a little bit?

“If you look at it from a real estate investment value perspective, it suddenly mobilizes the capital across the marketplace to do the right thing.”

In terms of potential risk, floodplains and forests are the new “knob-and-tube wiring,” he says.

“Historically, we saw things like knob and tube, or an oil tank, and we said, ‘We need to deal with that, or remove that,’ and now flood and wildfire in B.C. are those new forms of insurability and value risk.”

In B.C., that means homes in fire zones that have metal roofs have added value, for example. The complicating factor is that risks aren’t always evident, such as the risk of flood. Water can travel a great distance. Developers, homeowners and buyers therefore need to do more due diligence.

“It is an accelerating rate of impact, and like you are experiencing in B.C. ... there is this suspended disbelief that it could even happen. We’re just not used to looking at it as a risk because it hasn’t been as frequent or severe as it’s becoming.”

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