



Buyers aren't intending to flip units, broker says

Greater Vancouver no longer in a 'build it and they will come market'

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There is less speculative froth in Greater Vancouver's housing markets, according to one market researcher, evidenced by slower sales and higher levels of mortgage financing at pre-sale sites.

Projects are pre-selling about 75-per-cent of their units at launch instead of selling out, Jennifer Podmore, managing partner of research firm MPC Intelligence said.

At the same time, mortgage brokers on site are busy writing up more mortgages than they would in the sell-out years of 2005 and 2006, she added, which is a sign today's buyers aren't in it simply to flip their units.

"The best way to describe it is that we've really been in a 'build it and they will come' market for the last couple of years," Podmore, said.

In the last six months, however, after a period of rapid price escalation, "we have reached a saturation point [and] a lot of investors just don't have the ability to to be taking on units the way they were."

Prices, she added, have risen to over \$800-per-square-foot in downtown Vancouver, \$550 -- \$575-per-square-foot in Burnaby and over \$500-per-square-foot in Richmond.

That means it takes "a lot more for the end user to get in [to the units]" and speculators recognize it is less likely that they'll be able to put down a \$22,000 deposit for a condo and get a \$40,000 boost in the unit's equity over 12 -- 24 months.

MPC Intelligence, in its mid-year report, counted 4,508 pre-sale units in projects that were available for sale as of June 30, with another 15,583 units in development to be pre-sold.

With buyers in Greater Vancouver taking up about 1,400 units per month, Podmore said that's between 15 to 19-months supply.

A year ago, MPC Intelligence counted 3,654 units in projects that were

available for sale with another 10,570 in the development pipeline.

Podmore added that although sales have slowed down, and the number of units under development is rising, developers "are not building to exceed the amount of [expected] demand, they're building to match it."

Robyn Adamache, senior analyst with Canada Mortgage and Housing Corp. in Vancouver, said inventories of completed and unsold condominiums in Greater Vancouver remain very low -- 160 in all of Greater Vancouver and only three in Abbotsford -- as of July 1.

"We don't see any evidence of oversupply so far," Adamache said.

However, there were also some 14,779 condominium units under construction in Greater Vancouver, a near record. Another 665 are under construction in Abbotsford.

Adamache added that a clearer picture of how well housing supply is balanced with housing demand will emerge once more of those units are complete and owners either take possession of them or attempt to sell.

As for speculative buying, while it has risen in recent years, Adamache said it has not reached alarming proportions.

CMHC uses statistics tracked by the research firm Lancor Data Corp., which counts the number of condominiums bought in the City of Vancouver's resale market that are sold again within 12 months.

Adamache said that as of April of this year, the average was 24 per cent of those condos resold within 12 months. In the early 1980s, the number of speculative buyers in the Vancouver market approached 50 per cent.

"I would say that [level of speculation] is fairly tame given the price increases we've seen over the past couple of years," Adamache said.

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BLOWING OFF THE FROTH

Real estate market researcher MPC Intelligence Inc. estimates that there is less speculation in Greater Vancouver's condo markets, with slightly slower sales and more evidence of buyers arranging financing for their pre-sale units.

Units available

Units in development

Greater Vancouver (Total July 2007) 4,508 15,583

Greater Vancouver (Total July 2006) 3,654 10,570

By community, July 2007

North Shore 259 484

Vancouver, Downtown 247 1,224

Vancouver, west and eastside 517 1,860

Burnaby 600 988

Richmond 370 1,715

Surrey, Delta, Ladner, Tsawwassen 769 4,633

New Westminster 147 1,268

Coquitlam, Port Moody, Port Coquitlam 769 1,752

Pitt Meadows, Maple Ridge 246 709

Langley, Abbotsford 584 950

Source: MPC Intelligence Inc.

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