

## **Second-, third-time buyers fuel 2007 house sales**

Average home price in Greater Vancouver to rise eight per cent next year, to \$620,000

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Vancouver Sun, B.C. Real Estate Association

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A summertime house-hunting spree in B.C. has defied economists' expectations and will likely push 2007 sales to near the 2005 record.

B.C. Real Estate Association chief economist Cameron Muir estimates that British Columbians will complete 101,100 sales through the Multiple Listing Service this year, up four per cent from 2006, but shy of the high of 106,310 in 2005.

B.C.'s average home price will also defy expectations, rising 12 per cent this year to \$437,000.

Muir said homeowners who cashed in equity from their existing homes to plow back into more real estate helped fuel the market.

However, when it comes to 2008, he expects to see the moderation that was supposed to come this year because more first-time buyers are being squeezed out of the B.C. market by the province's high prices.

"When we look at where a lot of the demand is coming from, it's homebuyers that are second- or third-time buyers," Muir said.

"They have amassed a great deal of equity in their homes," he added, and are using it to buy investment real estate or recreational properties, which for many will become retirement homes.

For first-time buyers, however, continuing price increases erode their ability to buy, and "at least in terms of some of the surveys out there, first-time-buying intent has started to wane somewhat," Muir said.

He is forecasting 96,300 sales in B.C. for 2008, down five per cent, although he expects prices to rise another eight per cent to \$470,000.

In Greater Vancouver, Muir expects sales to dip four per cent to 36,100 units, and the average home price to rise eight per cent to \$620,000.

The Fraser Valley can expect sales to decline by five per cent this year to

17,200 units, and drop another five per cent to 16,250 units in 2008, according to Muir's forecast. The valley's average price, however, is expected to rise to \$455,000 in 2008.

Carol Frketich, regional economist for Canada Mortgage and Housing Corp., called 2007 an "interesting year" for forecasters.

Provincial employment growth has been stronger than expected, Frketich said, and the economy is probably growing at a faster-than-average rate. Those influences, she added, flow through into housing markets.

At the same time though, she said consumer confidence peaked in 2006 and has been declining, and mortgage interest rates have risen.

"When people think you're getting near the end of an expansionary phase, you start seeing mixed [economic] indicators," Frketich said.

"Right now we're in a period of uncertainty, which makes it more complicated for forecasters."

Frketich added there are signs that point to sales levels remaining high, despite concerns about property becoming more unaffordable.

Statistics Canada released its annual population forecast Thursday which showed a net increase of 10,600 residents from other provinces between July 1, 2006, and July 1, 2007.

That number pales in comparison with the net 51,200 residents Alberta attracted, however, B.C.'s growth from interprovincial migration was the highest since 1995-96.

The realty firm Royal LePage, in its third-quarter house-price survey cited high levels of population migration to B.C. as one of the reasons pushing Vancouver and Victoria property values higher.

Royal LePage calculated that the average Vancouver bungalow price hit \$787,500 in the quarter, up 12 per cent from a year ago. The average Vancouver two-storey house reached \$879,000, an increase of almost 11 per cent.

Royal LePage noted that housing prices rose in all Canada's major markets over the last year, with the standard condominium posting the biggest gain of almost 16 per cent to reach \$241,818.

Royal LePage CEO Phil Soper added that home ownership rate "stands at its highest [level] on record," despite the rising prices.

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HOUSE-HUNTING SPREE MAY SLOW

In 2007, British Columbians have defied forecasts of slowing housing sales and will make a near record number of purchases by the end of the year. That won't be the case next year as increasing unaffordability concerns are expected to slow sales and price increases.

#### 2007 sales Average price

B.C. 101,100 +4% \$437,000 +12%

Greater Vancouver 38,100 +5% \$574,000 +13%

Fraser Valley 17,200 -5% \$428,000 +9%

#### Across B.C. for 2008

#### Unit Sales Average price

Victoria 7,800 -6% \$488,000 +6%

Vancouver Island 9,300 -5% \$330,000 +8%

Sunshine Coast 280 - 3% \$245,000 +7%

Greater Vancouver 36,100 -4% \$620,000 +8%

Fraser Valley 16,250 - 5% \$455,000 +6%

Chilliwack 3,375 +/-0% \$315,000 +7%

Kamloops 3,400 -1% \$310,000 +14%

Okanagan Mainline 8,550 - 6% \$418,000 +9%

South Okanagan 2,375 -5% \$347,000 +7%

Kootenay 3,000 -2% \$294,000 +12%

Northern Lights 495 +2% \$182,000 +6%

B.C. Northern 5,350 -3% \$205,000 +6%

B.C. total 96,300 -5% \$470,000 +8%

Source: B.C. Real Estate Association

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